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SATURDAY

World Business Newspaper <http://www.ft.com>

THURSDAY MARCH 27/FRIDAY MARCH 28

Kinkel fails to bridge German rift with Turkey



German foreign minister Klaus Kinkel, left, warned Ankara not to expect rapid European Union membership, citing Turkey's human rights record and economic problems. Mr Kinkel was visiting Ankara to try to improve relations after some European leaders had said Turkey was "not acceptable" as a member of the EU. But the German minister failed yesterday to make any progress towards repairing worsening relations. Page 18

Clashes spread: Israeli-Palestinian clashes spread to the West Bank town of Ramallah, where Arabs charged an Israeli roadblock. The army used teargas and rubber bullets against protesters demonstrating over Israeli settlement policy in Arafat East Jerusalem. US envoy faces daunting task. Page 4

Vatican condemns execution: Cuban refugee Pedro Medina, whose face mask caught fire while he was dying in the electric chair in Florida, suffered a "barbaric" end, the Vatican newspaper L'Osservatore Romano said. Medina was executed on Tuesday for murdering a woman in 1992.

Schneider seeks NY listing: Didier Pincus-Valencienne, chairman of French engineering concern Schneider, said the group wanted a New York listing as early as next year. Schneider is inviting new board members from Germany, Italy, Switzerland and Britain as part of its aim of opening up the company. Schneider offers deal. Page 2

Graf tax probe dropped: The German investigation into possible tax evasion by tennis player Steffi Graf has been officially called off. The probe was dropped after Miss Graf paid an undisclosed sum to charity. Page 2

Albania move: An advance team of experts including military officials from EU countries began operations in Albania to prepare for an expected security force to protect emergency aid to the country. Page 3

Deal on car exports: Japan and the European Union agreed to raise the 1997 quota for Japanese car exports to the EU by 13,000 vehicles to 1.092m. Japan's 1996 auto exports to the EU were 805,000, lower than the year's 1.079m vehicle quota. Japanese trade officials said.

Malaysia-Singapore rift deepens: Malaysia has suspended the award of new contracts to Singaporean companies as relations between the two south-east Asian neighbours hit their lowest point for more than 30 years. The Malaysian announcement yesterday followed derogatory remarks by Singapore's senior minister, Lee Kuan Yew. Page 18; Editorial Comment, Page 17

US durable goods orders hit a record in February: The Commerce Department said, highlighting the manufacturing sector's role in a steadily growing economy. New orders for goods from computers to railroad equipment climbed 1.6 per cent to a seasonally adjusted \$178.3bn. Page 6

Deutsche Bank, Germany's biggest bank, revealed that the failure of its UK fund management arm last year to stop Peter Young making hidden investments with customers' money could cost it up to DM1.2bn (\$710m). Page 19

Citic Pacific, Hong Kong arm of China's flagship investment vehicle, more than doubled profits last year to HK\$6.86bn (US\$896m) as exceptional gains of HK\$3.29bn boosted a near-30 per cent underlying rise. Page 24; Lex, Page 18

Papua PM quits: Papua New Guinea prime minister Sir Julius Chan is to step down following the Bougainville mercenaries affair. His decision, after a week of unrest, was greeted with cheers by a crowd outside parliament house. Page 8

The Financial Times will not be published tomorrow, Good Friday. The next issue will be on Saturday, March 28.

FT.com: the FT web site provides online news, comment and analysis at <http://www.ft.com>

STOCK MARKET INDICES	
New York: Dow Jones Ind. Av.	5,987.82 (+31.35)
NASDAQ Composite	1,267.33 (+19.27)
Europe and Far East	
CAC40	2,948.73 (+24.48)
DAX	2,918.12 (+68.88)
FTSE 100	4,301.5 (+30.8)
Nikkei	18,472.45 (+32.84)

US LUNCHTIME RATES	
Federal Funds	5.1%
3-month Treas. Bill	5.342%
Long Bond	5.5%
Yield	5.97%

OTHER RATES	
UK 3-month interest	8% (8.00%)
UK 10 yr Gilt	5.7% (5.70%)
France 10 yr OAT	5.75% (5.75%)
Germany 10 yr Bund	100.74 (101.01)
Japan 10 yr JGB	105.1714 (104.7567)

NORTH SEA OIL (Average)	
Brent Dated	\$18.81 (\$18.74)

STRENGTH	
Shares (Mn)	1.8228 (1.819)
DM	1.89175 (1.8907)
FF	5.7001 (5.7009)
SFR	1.4601 (1.4605)
Y	124.225 (124.195)
London:	
E	1.8228 (1.819)
DM	1.89175 (1.8907)
FF	5.7001 (5.7009)
SFR	1.4601 (1.4605)
Y	124.225 (124.195)
Tokyo close:	Y 124.48

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Doubt over '\$3.6bn' gold find

By Kenneth Gooding, Mining Correspondent, in London and Scott Morrison in Vancouver

An Asian gold deposit hailed as the world's biggest may turn out to have only an "insignificant" amount of ore.

Promoters admitted the results of their exploration in the Busang venture in Indonesia might have been overstated. It had been valued at up to C\$6bn (\$3.6bn). A new partner in the project said its own tests so far revealed "insignificant amounts of gold".

The admission by Bre-X Minerals, the Canadian exploration company, that there was "a strong possibility that its exploration results had been overstated" came only a week after the company's chief geologist plunged from a helicopter to his death in what has been labelled a suicide.

Bre-X's admission came after Freeport-McMoRan Copper & Gold, the US company which had agreed to take a stake and finance a mine at the Busang deposit in East Kalimantan, said its own drilling had shown "insignificant amounts of gold".

Shares in Bre-X were suspended by the Toronto Stock Exchange before these announcements but at least one third was wiped off the value of other small exploration companies with projects in Indonesia. "This won't help sentiment in the gold mining

Busang deposit may be 'insignificant'

sector," said Mr Nick Hatch, analyst at Flemings Global Mining Group in New York.

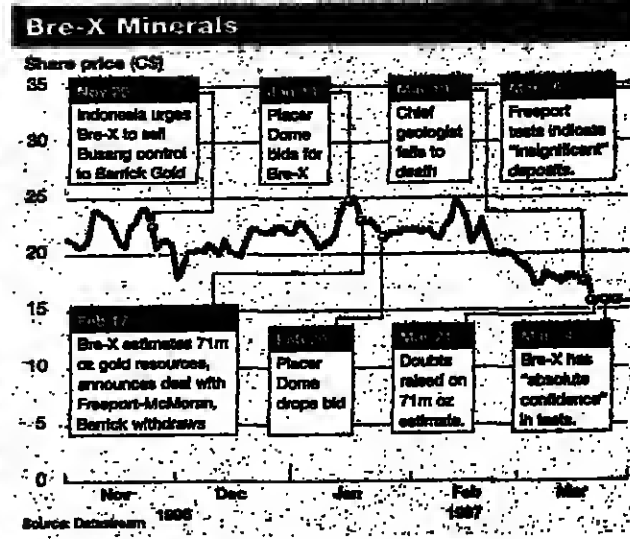
Rumours all might not be well at Bre-X have been circulating since last week when doubts were raised about Busang in a Jakarta newspaper and after the death of Mr Michael de Guzman, Bre-X's chief geologist. But until late on Tuesday Bre-X continued to defend its previous suggestion that there was at least 70m ounces of gold in the Busang deposit, and possibly up to 200m ounces.

However, last night Bre-X said an independent Canadian consultancy, Strathcona Mineral Services, retained by

Bre-X to audit its results so far, had indicated "that there appears to be a strong possibility that the potential gold resources on the Busang project have been overstated because of invalid samples."

Mr Jim Taylor, analyst at Yorkton Securities in London, said: "The consultants are not simply questioning the interpretation of the geology but the values [of gold in the rock] quoted." There was a scramble by companies to win a share of Busang. Members of President Suharto's family were also involved in the wheeling and dealing.

World stocks, Page 40



Dalai Lama's visit could lead to de facto Tibetan embassy in Taipei

Beijing condemns Taiwan-Tibet ties

By Laura Tyson in Taipei

The Dalai Lama, Tibet's exiled spiritual leader, is to meet Taiwan's first democratically-elected president today in what China has condemned as a "collusion of spittles".

The Buddhist god-king and Mr Lee Teng-hui, a devout Presbyterian, are expected to discuss a proposal to establish an unofficial Tibetan office in Taipei to handle religious and cultural affairs.

In practice it would serve as a *de facto* embassy for the Tibetan government-in-exile, similar to the representative offices in Taipei of other countries which do not have formal diplomatic ties with Taiwan.

On the eve of Hong Kong's return to Chinese control, Beijing was always likely to be angered by this public expression of warming ties between the two biggest obstacles in the way of its efforts to "unify the motherland".

China regards Taiwan, formerly Formosa, as a rebel-held Chinese province and Tibet as an ancient part of its sovereign territory.

Beijing has also become increasingly irritated by Taiwan's attempts to maintain an international profile, though Taipei's diplomatic offensive was set back last year when South Africa severed diplomatic recognition of Taiwan in favour of Beijing.



The Dalai Lama (left), Tibet's exiled spiritual leader, offers a Buddhist statue to Taiwan's premier Lien Chan yesterday.

leaving only 29 mostly small and less developed states that still recognise Taipei.

During Taiwan's first democratic elections last year, China carried out provocative military exercises in the waters of the island.

In anticipation of the political fall-out from Beijing, Taiwan's ruling Nationalist government said the meeting between Mr Lee and the Dalai Lama would be held not in the presidential palace but in the foreign ministry's guesthouse in Taipei. Yesterday the Tibetan spiritual leader held

talks with Mr Lien Chan, the premier, and Mr Hsu Hsin-liang, head of the leading opposition Democratic Progressive party, which openly calls for Taiwanese independence from the mainland.

Beijing accuses both Mr Lee and the Dalai Lama of seeking independence for their respective homelands. Both deny such intentions.

Mr Lee's ruling Nationalist Party officially supports reunification but only once China becomes equally as democratic and prosperous as Taiwan. A Chinese foreign

ministry spokesman in Beijing yesterday accused the Dalai Lama of insincerity and attempting to "mislead the media and confuse people's minds". He added: "On one hand the Dalai Lama publi-

cises internationally the view that he does not want Tibetan independence, and on the other hand he everywhere engages in activities to split the motherland."

Italian parties support budget

By Robert Graham in Rome

Italy's centre-left government is set to rely heavily on accounting devices to bring its budget deficit within the criteria for joining the European single currency.

A corrective mini-budget, given broad approval by the governing coalition parties yesterday and due to be unveiled today, is designed to correct a deficit that is 0.5 per cent of GDP greater than the 3 per cent target laid down by the Maastricht treaty.

Yesterday the government of Mr Romano Prodi, the prime minister, appeared to have decided against any serious structural corrections to the deficit.

Instead members of the centre-left Olive Tree coalition gave broad agreement to a package designed to raise almost half the L15,300bn (\$9m) it needs by a ridd on funds companies are obliged to set aside for paying employees who leave.

Confindustria, the industrialists' confederation, has opposed the move. Yesterday

Continued on Page 18

It's a Cinven fact.

Every Cinven shareholder works more than full time for the company.

according to US accounting rules, were DM2.4bn last year, compared with a DM1.09bn loss in 1995.

Daimler said the sharp growth would allow it to pay a DM1.10 dividend, also ahead of expectations of about 80 pfennigs. The group last paid a dividend in 1994.

The group declined to specify the size of the deferred taxes or what the extraordinary factors referred to. It said details would be provided at a news conference on April 18. However Daimler said: "The difference between the earnings figures for 1996 and 1995 is not quite as big as these raw, headline figures might suggest."

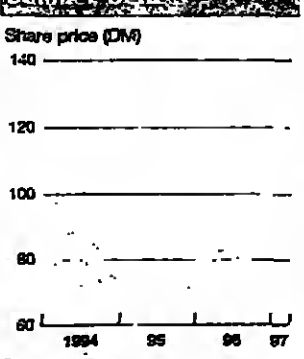
Analysts speculated that the one-time factors were related to losses carried forward from 1995, when the group incurred

tell us exactly what these one-time factors and taxes refer to, it's safer to look at the underlying trend in operating profits, which was bang in line with expectations," said Mr Georg Stürzer, analyst at Vereinsbank Research in Munich.

Operating profits, calculated

Continued Page 18
Lex, Page 18
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Daimler-Benz



Operating profits, calculated

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NEWS: EUROPE

Russian PM appeals to protesters

By John Thornhill in Moscow

Mr Victor Chernomyrdin, Russia's prime minister, yesterday appealed for calm and promised more cash as millions of unpaid workers and pensioners prepared to mount mass protests against the government today.

Acknowledging legitimate grievances, Mr Chernomyrdin urged the people to "display wisdom" and ignore inflammatory calls for mass acts of civil disobedience.

"We should not be carried away by emotion and be provoked. That will throw us back even further," said Mr Chernomyrdin. "We will do everything to address these problems. You should not rock such a big boat as Russia."

Mr Chernomyrdin promised the state and private employers would spend Rbl1.8bn (\$2m) by the end of the month paying off about a quarter of their outstanding obligations. President Boris Yeltsin has described the non-payments situation as "immoral" and vowed to clear the government's social debts by the summer.

The build-up of wage and pension arrears has been caused by a severe shortfall in tax revenues and has forced the government to borrow heavily in international and domestic debt markets. But that policy runs the risk of pushing up interest rates further and stifling economic growth this year.

Announcing further changes to the government yesterday, Mr

Chernomyrdin said the reshuffled cabinet would be much more effective in tackling social problems.

He confirmed Mr Yevgeny Yasin, the former economics minister, would remain in government, focusing on longer-term economic strategy. And he announced the appointment of Mr Alexei Kudrin, a liberal economist from St Petersburg, as first deputy finance minister, strengthening the government's reformist credentials.

Mr Anatoly Chubais, first deputy prime minister and finance minister, said the government would step up the war against corporate tax dodgers and lashed out at irresponsible regional governments for exacerbating social tensions. He singled out for criticism the

diamond-rich republic of Sakha (formerly Yakutia) claiming it had the worst record of any region for meeting its own pension fund obligations while it attempted to lay blame at Moscow's door.

Mr Boris Nemtsov, third of the troika of ministers which is now spearheading the reform drive, also promised yesterday that government spending would be brought under control in a populist move. He announced the government would gradually auction off its foreign-made cars and replace them with cheaper Russian models - manufactured in Nizhny Novgorod, where he was formerly governor. He said further savings would come from putting up more government contracts to competitive ten-

der. "We should live within our means. This applies above all to the government and its budget," he said. Mr Yeltsin said more western investment in Russia would be forthcoming following his meeting with President Bill Clinton last week.

In a national radio address, he reaffirmed his commitment to integrating Russia with the west. "I am aware that my opponents reproach me for not being tough enough at the negotiations. Of course, we could have knitted our brows and pounded the table with our shoes as happened during the cold war years. But what would we have achieved? Another round of irreconcilable enmity, a new isolation of Russia."

Belarus 'isolated' warns president

By Matthew Kaminski in Moscow

President Alexander Lukashenko, who in a rare diplomatic feat angered both Moscow and Washington this week, warned his countrymen yesterday that Belarus must face up to international isolation.

"We have no one left to count on," the Belarus leader said in a three-hour televised address. "They have started to suffocate us openly; to suffocate us in the west and unfortunately somewhat in the east."

The fiery speech suggests the charismatic Mr Lukashenko may be trying to shore up domestic support in the face of international criticism of his authoritarian rule. Pressure on Mr Lukashenko has continued in spite of his success last November in setting up a puppet parliament and forcing through a new constitution.

Although the local opposition brought out just 10,000 demonstrators last Sunday in a march that was marked by violence, the Minsk government caused a diplomatic breach with the US and brought condemnation from the Kremlin through its subsequent response.

On Sunday night Belarus expelled Mr Serzh Alexandrov, first secretary at the US embassy, after arresting him at the rally. The US state department said it "deplored" the move and recalled its ambassador.

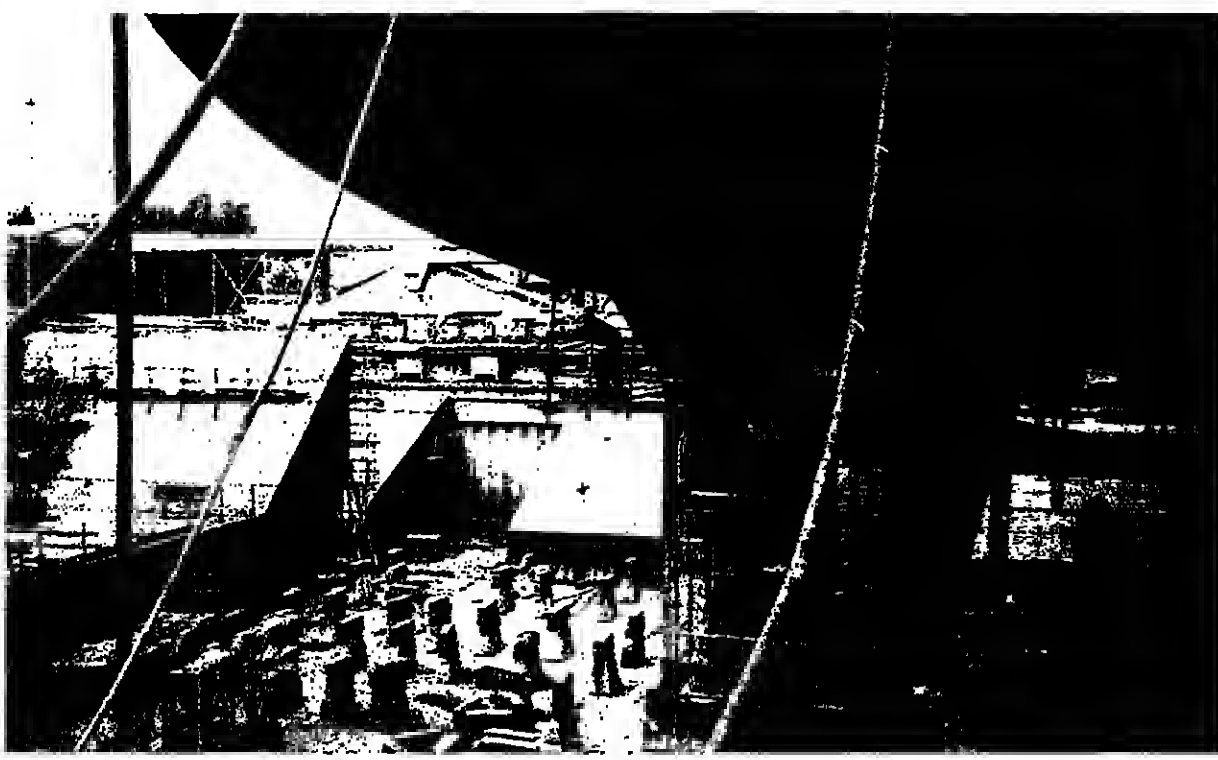
A Russian journalist had his accreditation withdrawn and broadcast media were barred from transmitting material, which brought a surprisingly sharp rebuke from the Kremlin.

A US official in Minsk yesterday told the Interfax news agency that Washington was weighing its response. Belarus also recalled its US envoy.

A poor human rights record and lack of economic reform last week led the US to halt its remaining \$400m aid programme. Relations have been bad since 1995 when Belarus shot down and killed two Americans taking part in a balloon race.

The Kremlin's criticism of Belarus vindicated Russian liberals who oppose closer ties with Mr Lukashenko. But nationalists in Moscow yesterday called Sunday's protests a western provocation aimed at undermining Slavic union ahead of his meeting next week's with President Boris Yeltsin.

Mr Lukashenko has used the popular issue of possible reunion with Russia to keep his domestic critics at bay and any strains with Moscow might weaken him.



Recent unrest has brought to a head a decision on the future of Poland's shipbuilding industry

Polish shipyards seek to chart more hopeful course

A new minister has taken steps to end years of rivalry, Christopher Bobinski and Anthony Robinson report

Nothing concentrates the mind of a Polish government in an election year more than shipyard workers demonstrating in the streets of Gdansk, founding city of the Solidarity union movement.

But recent demonstrations by several thousand remaining employees at the historic but bankrupt Gdansk yard did more than preserve some of their jobs. It also brought to a head a long-postponed decision about the future shape of the Polish shipbuilding industry as a whole.

The likely outcome is a consolidated shipbuilding and marine engineering group which will see the Szczecin shipyard, Poland's only profitable ship producer, take a majority stake and management control over its bigger and more modern rival at Gdynia, and the Cegielski marine engine company based in Poznan.

The price Szczecin has had to pay for realising its dream of building a Korean-style industrial conglomerate is to let the government off a political hook by agreeing to transfer the construction of five bulk tankers for the state-owned PZM shipping company worth \$100m to the bankrupt Gdansk yard.

The catalyst for the new decisiveness over the future of the industry is Mr Marek Belka, Poland's tough new finance minister. He decided to end years of rivalry

between Szczecin and Gdynia by his decision to transfer the Polish treasury's 47 per cent stake in Gdynia to the profitable and efficient Szczecin yard.

Gdynia, over 200kms to the east along the Baltic coast, was extensively modernised in the 1970s and can build vessels up to 300,000 dwt. But Szczecin, a smaller yard, which faced bankruptcy five years ago, is now profitable and highly productive, while Gdynia lost 50m zlotys (\$29.3m) last year on ships worth \$300m, although it forecasts a small profit on the 18 vessels worth \$400m it plans to deliver this year.

Under Mr Piotrowski's plan, funding for the project would partly come from the European Bank for Reconstruction and Development (EBRD). "I think there is an EBRD will come in," Mr Piotrowski said this week.

The EBRD is interested, but not yet convinced. "We were approached last year and asked whether we would support consolidation. We said we would look at it."

"But we'll do nothing without a business plan which convinces us that the combined group would be greater than its parts," Mr Alain Pilloux from the EBRD's Polish section confirmed.

"We would be happy if Szczecin took control of the Gdynia shipyard and Cegielski through a capital increase which diluted the interests of the other two companies."

"We simply do not know at this stage how much the EBRD's contribution would be, but the bank's funds

would be used primarily to restructure Szczecin's over-leveraged balance sheet, allowing it to retire some of its debt, and in buying new equipment to modernise facilities," he added.

Mr Piotrowski thinks the Polish shipbuilding industry should be producing vessels worth \$1.5bn a year rather than the current \$800m a year and should take advantage of a cost advantage which will allow the industry to remain competitive for the next 10-15 years while Polish labour and other costs remain relatively low.

He is adamant that the Gdansk yard, whose assets the liquidator is still trying to sell for around \$20m, should not be brought into the planned conglomerate.

The EBRD, which operates on commercial lines but is dedicated to deals which ordinary commercial banks find too risky or insufficiently profitable, is trying to analyse if the proposed consolidation will help realise the industry's potential.

"We are looking for synergies and trying to work out whether the proposed new group would be able to withstand competition on world markets. But we don't expect our money to be used in the Gdansk shipyard and we are still examining whether the latest move by the government will affect the viability of the proposed consolidation," Mr Pilloux says.

Schneider offers out of court deal

By Lionel Barber in Brussels

Lawyers acting for Groupe Schneider, the French engineering group, have offered an out-of-court financial settlement in return for the Belgian authorities dropping charges of fraud and embezzlement against Mr Didier Pineau-Valencienne, the group chairman.

According to Le Soir, a Belgian news magazine, the Schneider offer amounted to Bfr400m (\$11m). It was turned down and details of the proposed deal were passed to the Belgian Justice Ministry.

Three years ago, Mr Pineau-Valencienne was held in prison for 13 days over allegations of white-collar crime which shook the French corporate establishment and caused friction between the French and Belgian governments. He was later released on bail.

Mr Pineau-Valencienne returned voluntarily to Belgium in June 1995 to be questioned about allegations that he siphoned money into a secret fund at the expense of minority shareholders. Belgian investigators suspected that Schneider's offshore network was a device to evade taxes, but Mr Pineau-Valencienne denied wrongdoing.

Schneider was supposed to have paid back around Bfr1.04bn in back taxes to the Belgian authorities by the end of last year. The latest offer to settle outstanding claims covering aggrieved civil parties and the tax authorities was made through Mr Pierre Legros, a Brussels lawyer who represents one of Schneider's top executives in the US.

Mr Pineau-Valencienne denied yesterday that he had made the offer. "There has been no initiative whatsoever in France, and particularly from Schneider," he said. "No one in France has intervened to try to close this case."

However, he added: "There may be some initiatives in Belgium that I'm unaware of."

A spokesman for Mr Stefan De Clerck, Belgium's justice minister, said it was not unusual for parties to propose an out-of-court financial settlement to an investigating magistrate.

But in the Pineau-Valencienne case, the magistrate had long pressed the inquiry to higher judicial authorities who were still conducting an in-depth investigation. Schneider shares, Page 21

EUROPEAN NEWS DIGEST

Minister quits in Malta

Mr Lino Spiteri, Malta's minister for economic affairs and finance, has resigned, just five months after Mr Alfred Sant's unexpected election victory. An exchange of letters between the Socialist prime minister and Mr Spiteri, released by Mr Sant yesterday, gave no specific reason.

Mr Spiteri, a former economics minister under Mr Dom Mintoff, had apparently planned to stay on to see the government through its initial phase. In his letter, dated March 21, he said he was unable to continue and asked the premier to find a replacement.

The resignation may hurt the government's plans to replace value added tax - a key election pledge - with 15 per cent customs tariffs and duties of 5-10 per cent. These plans are unpopular with wholesalers and service companies.

Geoffrey Grima, Malta

Yugoslavia expert resigns

The UN expert on missing persons in the former Yugoslavia, Mr Manfred Nowak, resigned yesterday, blaming lack of support from the international community. Mr Nowak told the UN Human Rights Commission in Geneva he was quitting with immediate effect.

"My resignation is based on the experience that there is not sufficient political will to establish the fate of the missing by all possible means, including exhumation," the Austrian official said. "A solution to the problem of disappearances is a major precondition for justice and a sustainable peace in the region."

Mr Nowak said he had received just \$300,000, or only 5 per cent of the \$6m he had asked for in May 1996 for a series of exhumations.

In a report made public in February, he estimated over 25,000 people still reported missing in former Yugoslavia and criticised Mr, the former international peacekeeping force in Bosnia, for failing to provide security to forensic experts in the field.

AFP, Geneva

German citizenship plan

The junior partner in Chancellor Helmut Kohl's coalition government will introduce legislation next month that would grant German citizenship to anyone born in Germany, not just ethnic Germans.

Mr Guido Westerwelle, leader of the liberal Free Democratic party, said yesterday that arguments that Germany was not an immigration country were false. "We've been that in fact for a long time," he said.

The ultra-conservative Christian Social Union, another of the three parties in Mr Kohl's government, rejected any changes to the current system, which makes it difficult for non-ethnic Germans to get German citizenship or dual citizenship, even if they are born there.

AP, Bonn

Steffi Graf tax probe ended

The investigation into possible tax evasion by the tennis player Steffi Graf has been officially called off, German officials said yesterday. The investigation was dropped after Miss Graf paid an unrevealed sum of money to charity, they said.

Miss Graf said: "I accepted the dropping of the investigation in exchange for a payment of a sum of money with a heavy heart, knowing I had done nothing wrong."

She said she had no doubts that if the legal proceedings launched against her in 1995 had taken their course, she would have been found innocent, but had decided it was better to spare herself the trial.

Her decision comes only two months after her father Peter was jailed for nearly four years for tax evasion. Miss Graf, whose earnings since her professional debut in 1982 to the end of 1995 are estimated at over DM150m (\$90m), has maintained she left all her financial affairs up to her father and her advisers.

AFP, Mannheim

Dutch seize 96,000 CDs

Officials at Schiphol Airport, Amsterdam, yesterday seized 96,000 illegal compact discs in a shipment from Bulgaria. Dutch customs and the Dutch authors' society said the pirate CDs, with a total retail value of \$2.4m, were probably destined for the European market.

They said customs at Schiphol became suspicious last Friday about a huge shipment of CDs from Bulgaria, the world's second largest producer of pirate CDs after China. The music industry has asked the European Commission to urge Bulgaria to stop producing them, saying it costs the industry \$100m a year.

Reuters, Amsterdam

Brussels backs court action

The European Commission yesterday backed calls for court action against EU farm ministers over their decision to block the European parliament's involvement in drawing up proposals on compulsory labelling of beef.

Commissioners backed Mr Jacques Santer, president of the Commission, who had called for court action following the farm ministers' decision last week to exclude the parliament from scrutinising the legislation.

The Commission's decision follows last week's call for legal action by the European parliament's environment committee. The Commission is to hold talks with the parliament about the possibility of taking joint legal action, a Commission official said.

Mr Santer's call was prompted by last week's decision by farm ministers to block the parliament's right to vet a proposal on beef labelling and identification and registration of cattle.

The president promised earlier this year that the parliament would be given a greater role in deciding EU farm policy.

Caroline Southey, Brussels

ECONOMIC WATCH

Italy's unemployment up

Unemployment in Italy rose in January to 12.4 per cent of the active population, compared with 12.2 per cent during the same month in 1996, according to Istat, the official statistics institute.

The worsening situation, with 2.8m people out of work, reflected continued shedding of jobs in agriculture and industry, though the services sector managed to generate 1.4 per cent more jobs. The dynamic industrial northeast was still creating employment (up 0.8 per cent), and, surprisingly, the south showed a modest rise (up 0.3 per cent). In the centre of the country, hit hard by state spending cuts and a flat construction industry, jobs declined by 1 per cent, while in the northwest the impact of stagnation in the heavy engineering industries caused a 0.3 per cent drop.

Consumer prices in western Germany fell 0.1 per cent in March from the previous month and were up 1.6 per cent from the same month a year earlier, the Federal Statistics Office said. The figures are preliminary and are based on a survey of west Germany's four most populous states.

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Workers from the German steel company Thyssen ponder their future after hearing the job cuts announcement

German steel workers face further job cuts

By Peter Norman in Bonn

German steel workers yesterday learned that the creation of a joint steel company by Thyssen and Krupp Hoesch will cost 4,000 jobs in addition to those already being cut by the two companies.

The brunt of restructuring will be felt by the loss-making Krupp plant in Dortmund. But, in separate statements, Mr Ekkehard Schulz, chief executive of Thyssen's steel-making subsidiary, and Mr Hans-Wilhelm Grasshoff, chief executive of Krupp Hoesch, assured employees there would be no compulsory redundancies. Although their pledges met a central demand of the IG Metall union, strikes against potential job losses continued for a second day yesterday at Krupp plants in Dortmund, Bochum and Siegen.

Reflecting widespread mistrust of management, Mr Dieter Krol, head of the workers' council at Thyssen Stahl, yesterday demanded written guarantees that there would be no sackings. In Dortmund, angry workers greeted Mr Wolfgang Clement - the North Rhine-Westphalia economics minister who has helped negotiate the steel merger - with whistles and catcalls.

Mr Schulz announced yesterday that the merger would lead to a concentration of iron-making at Thyssen plants in Duisburg on the Rhine. Over the next four years, blast furnaces and smelters at the Krupp plant in Dortmund would be closed, leading to a fall in the town's steel workforce from 5,700 to 2,100. By contrast, Duisburg - an unemployment black spot where 18 per cent of the labour

force is out of work - would gain 300 jobs.

Some jobs will be saved in Dortmund through investment in new steel processing plants. According to Mr Clement, Thyssen and Krupp have agreed to create 1,800 non-steel jobs in the city.

Including earlier announced job cuts, the workforce of the merged steel company will be cut by 7,900 by 2002 from 24,900, with the loss of about 1,000 white-collar jobs.

Talks on the merger of Germany's largest and second-largest steel companies began last week at the instigation of the North-Rhine-Westphalia government following news that Krupp planned a hostile bid for the larger Thyssen group. It was announced last night that Thyssen would have 60 per cent of the new company and Krupp 40 per cent.

NEWS: EUROPE

France plans help for new arrivals

By Andrew Jack in Paris

The French government yesterday announced measures to ease the rapid integration of immigrants, on the day the country's parliament passed controversial laws to clamp down on clandestine immigration.

Mr. Eric Raoult, junior minister for urban affairs and integration, unveiled an 18-point plan to the cabinet including an acceleration in the process of naturalisation, and help with language lessons and job hunting.

The proposals were partly designed to help improve the situation in France's troubled suburbs, in the wake of growing concern in recent months over poverty, unemployment, crime and urban unrest.

However, they came as the government is also attempt-

ing to play tough on immigration, in a policy designed to win back ground from the extreme rightwing National Front party, which recently won a fourth town hall in the southern town of Vitrolles outside Marseilles.

Mr. Jean-Louis Debré, interior minister, argued in an interview in the French magazine VSD yesterday that France must take a tough view towards clandestine immigration and draw a distinction with legal immigrants.

Separately, the National Assembly voted yesterday in a final reading for approval of the so-called *loi Debré*, designed to curb clandestine immigration, which triggered huge protests and a large number of petitions earlier this year.

The most controversial item in the law was subse-

quently amended. In an effort to prevent foreigners remaining illegally in the country, it would have obliged their hosts to notify the authorities when they left, creating detailed computer records.

Meanwhile, the opposition Socialist party is preparing a draft immigration policy which is believed to propose the abolition of the existing Debré laws and others introduced in 1983. They would be replaced with entry quotas which would vary in proportion to the economic health of the country.

Mr. Raoult's new proposals, valued at FF3.5bn (\$615m), call for up to 500 hours of free French language training, access for 160,000 school students for additional tuition assistance, and measures designed to reduce racial discrimination.

Slovak jobs plan sets off alarm bells

New proposal threatens reputation for financial discipline, writes Vincent Boland

After going its own way on privatisation by selling large blocks of industry to government favourites, Slovakia is about to adopt a novel form of industrial restructuring by granting ailing companies immunity from bankruptcy under certain conditions, including not shedding staff.

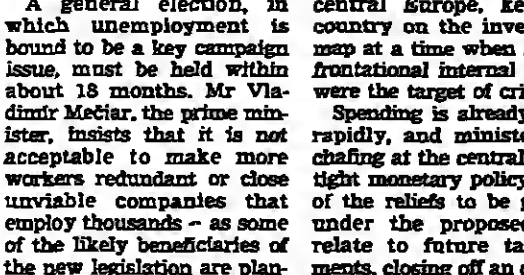
A government-sponsored bill currently before parliament proposes setting up a "revitalisation commission" that will grant up to Sk70bn (\$2bn) in debt write-offs, tax exemptions and other incentives to selected companies in dire need of modernisation but burdened by a mountain of unpaid bills. Companies would qualify if they agreed, for instance, to maintain employment levels, boost exports and become profitable. In return, they would gain indefinite exemption from bankruptcy, even in cases where winding-up proceedings were already under way.

Other details of the measure are vague, but it appears aimed mainly at the armaments and engineering sectors. The former was especially badly hit by the collapse of Comecon, the Communist trade bloc. It is also a big employer in a country where 13.6 per cent

Slovakia: striking a balance for jobs



Budget balance as % of GDP



are out of a job and there is little prospect of work. A general election, in which unemployment is bound to be a key campaign issue, must be held within about 18 months. Mr. Vladimir Mečiar, the prime minister, insists that it is not acceptable to make more workers redundant or close unviable companies that employ thousands - as some of the likely beneficiaries of the new legislation are planning to do.

As a result, the revitalisation plan appears to have a social as well as an industrial dimension. However, largely because of the undefined scope of its intent, it has set alarm bells ringing at the central bank, and among western officials in Bratislava.

They fear that its unclear fiscal costs will lead to runaway government spending and damage the country's reputation for financial discipline, which created a favourable climate for strong economic growth in 1995 and

1996. This growth, 6.9 per cent last year and the best in central Europe, kept the country on the investment map at a time when its confrontational internal politics were the target of criticism.

Spending is already rising rapidly, and ministers are chafing at the central bank's tight monetary policy. Some of the relief to be granted under the proposed plan relate to future tax payments, closing off an obvious source of budget revenues and forcing cuts elsewhere.

"It's inevitable when bail-out companies that the taxpayer picks up the bill," said Mr. Jaroslav Cechota, Bratislava representative of the European Bank for Reconstruction and Development.

The scheme would also result almost certainly in more state interference in the economy and is open to political abuse, a point noted by Mr. Eugen Jurzyca, head of the Centre for Economic Development, a think-tank.

ter, Mr. Sergej Kozlik. This is seen as an attempt to loosen the bank's unpopular but effective tight monetary policy as the gap between government and central bank policies widens sharply.

In addition, the revitalisation scheme coincides with the setting up of an export-import bank to finance an export drive by large companies, including those that would benefit from the plan. This would be under direct government supervision, with no role for the central bank.

For many foreign investors, the independence of the central bank has been the guarantor of Slovakia's hard-won financial stability. There is already speculation in financial circles that Mr. Masár may step down, viewing revitalisation as the last straw.

The legislation had its first reading last week in parliament, where it appears to have substantial backing from MPs aware that there are votes to be won by supporting it. So approval is likely soon.

Mr. Cechota believes some aspects of the measures may be unconstitutional, particularly in the way it affects the collateral which companies have offered as guarantees for bank loans. President Michal Kováč may refer it to the constitutional court, Slovakia's highest judicial body, for a verdict before signing it into law.

That would delay implementation of the plan, but is unlikely to dampen the populist Mr. Mečiar's enthusiasm for it.

EU mission in Albania as security talks go on

By Kevin Done in London and Agencies

An advance team of experts including military officials from European Union countries began operations in Albania yesterday, to prepare the way for an expected security force of several hundred to protect emergency aid in the country.

Albania has appealed for an international force to oversee relief operations and to help re-establish order after weeks of violence and insecurity in which the government has lost control of much of the south of the country.

In Vienna last night the 54-member Organisation for Security and Co-operation in Europe (OSCE) was close to agreeing on the framework for the military force, which is likely to be led by Italy and is expected to include forces from other countries including Spain, Greece,

Austria and Turkey, according to diplomats.

Ambassadors of the 54-member OSCE agreed in principle that the organisation would lead the international aid effort, but some members led by Russia were insisting that the project should first be given the go-ahead by the United Nations Security Council.

There is broad agreement that Mr. Franz Vranitzky, the former Austrian chancellor and the OSCE's peace envoy to Albania, should head the operation.

The OSCE is expected to co-ordinate the civilian effort to Albania, which will include the preparation and monitoring of elections that are supposed to be held by the end of June as well as measures to strengthen human rights and protect the news media.

Distribution of humanitarian aid is likely to be led by the EU, with international

financial institutions such as the International Monetary Fund and the World Bank leading preparation of measures for the financial reconstruction of the country.

The European Commission said that it had agreed yesterday to send humanitarian aid worth Ecu2m (\$2.3m) to help victims of the crisis. The aid, managed by the EU's humanitarian office Echo, will enable the International Committee of the Red Cross to distribute food and medical supplies for about 10,000 people.

The European Commission said it would monitor the situation closely with a view to guaranteeing that adequate protection was provided for both goods and people involved with the relief effort.

Armed rebels and lawless gangs still control much of the south from Vlore on the Adriatic coast, to the Greek border.

Macedonia in deal on Yugoslavia debt

By Kevin Done, East Europe Correspondent

Macedonia yesterday followed Slovenia and Croatia in reaching an agreement with the London Club of commercial banks over its share of the foreign commercial bank debt of former Yugoslavia. The deal opens the way for it to gain access to international capital markets for the first time since becoming an independent state in 1991.

It will issue new bonds totalling \$228.7m in exchange for its share of Yugoslavia's debt of around \$3.6bn

in principal and interest.

Macedonia has agreed to take on 5.4 per cent of the principal and 3.65 per cent of the interest on former Yugoslavia's debt arising from the 1988 New Financing Arrangement, the last debt rescheduling agreed by Belgrade with the commercial banks before the break-up of Yugoslavia in 1991 and the default in early 1992.

In last year's deals Slovenia issued bonds for \$312.5m and assumed 18 per cent of the former Yugoslav debt, while Croatia issued bonds worth \$1.46bn and took on 28.5 per

cent of former Yugoslavia's outstanding obligations.

As part of the deal Macedonia has been released from the onerous joint and several liability clause in the NFA, which made each borrower liable for the whole debt. It has also been granted significant debt-servicing concessions by the banks.

The bonds will be paid back over a period of 15 years, with an initial four-year grace period. The interest rate will be Libor plus 1%, but this will be reduced to 3.5 per cent in the first two years and to 3.75 per cent in the subsequent two years.

Mr. Robert Gyenge, vice-president of Chase Manhattan, the US bank which is chairman of the London Club's international co-ordinating committee for former Yugoslav debt, said Macedonia had followed Slovenia and Croatia in excluding from the bond issue all Serbian holders of former Yugoslav debt.

He said the banks hoped to reach a preliminary agreement with Bosnia-Herzegovina on its share of the debt by the end of June, so a deal could be completed this year. The banks were open to more talks with Belgrade, but none were planned.

For a man of 50, life still has a lot to offer. Even after a heart attack.



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NEWS: INTERNATIONAL

US envoy faces daunting task in salvaging Mideast peace

Ross rides back to the rescue

By Judy Dempsey in Jerusalem

Mr Dennis Ross, US special Middle East envoy, returns to the region today in an attempt to salvage the peace process.

He was instrumental in forging the Hebron agreement in January, and the decision to send him back was made after senior US officials, including Mrs Madeleine Albright, secretary of state, contacted Mr Benjamin Netanyahu, Israel's prime minister, and Mr Yasser Arafat, president of the Palestinian Authority.

His return follows days of clashes between Israeli soldiers and Palestinians and a terrorist attack by a suicide bomber which killed three Israeli women last Friday.

The visit signals a renewed dependence by Israel and the Palestinians on the US to break the impasse and put the peace process back on track. "It says a lot about the complete breakdown of trust and confidence between both sides," said Mr Joseph Alpher, head of the Israel-Middle East department at the American Jewish Committee in Jerusalem. "But it also says something else. After Hebron, the US realised it was not a positive development that it was so involved in Hebron - acting as guarantor for its implementation. As soon as it could, it wanted to extricate itself from such close involvement."

This, however, has proved impossible because the reciprocal obligations tied into the Hebron agreement and guaranteed by the US have not been met by either side.

Israel, say analysts, has undermined any element of trust which had developed between Israelis and Palestinians.

Mr Netanyahu decided unilaterally to begin work on a new Jewish settlement at Har Homa in Arab east Jerusalem. This would change the situation on the ground before the start of the final status talks which will focus on Israel's borders, the Jewish settlements, and the future of Jerusalem. In doing so, he contravened the 1993 Declaration of Principles which specifically states that Jerusalem be left until the final settlement.

The Israeli government also gave back, in real terms, only 2 per cent of land to Palestinian control in the first of the three Israeli withdrawals from the West Bank to be completed by mid-1998. Seven per cent was already under joint Israeli-Palestinian administration, analysts point out.

These two decisions infuriated the Palestinians. The leadership, in response, started to release prisoners suspected of involvement in bomb attacks last year. All three actions created the conditions for last week's terrorist bomb attack.



Ross: needs all his skills

While Israel could decide on its own how much land to return in that withdrawal, the way it did so destroyed the fragile seeds of trust sown after Hebron. It changed the level of expectations by both sides.

The Israelis believed they should give back the minimum in order to have as many bargaining chips as possible before entering final status talks. The Palestinians believed the first withdrawal would give them a clear indication of how much land would be returned, expecting about 80 per cent once all three pullbacks were completed. This would have underpinned physically the establishment of a Palestinian state.

Both sides have been determined to strengthen their bargaining positions for the final status negotiations. However, Israel holds all the cards, having total control over any return of land. So, by the time the final status talks were in full swing, the Israeli troop withdrawals would have gone a long way in delineating the future borders of Israel and Palestine. "Territory is the nub of the crisis," said one senior Israeli official. "It is about the future borders of both states."

Addressing these expectations will be Mr Ross's greatest challenge. The Palestinians will try to persuade him to extract concessions from Mr Netanyahu. In particular, they will want to know precisely how much Israel will withdraw from in the next two pullbacks, and whether it is possible to halt construction at Har Homa.

Such commitments are critical for Mr Arafat's personal authority and for the expectations of ordinary Palestinians who are choiced by Israel's economic, political and territorial stranglehold and its ability to close off the West Bank and Gaza at will.

Mr Netanyahu will find it difficult to make such a commitment, given his own determination to hold on to as many cards as possible, and the insistence of nationalists in his coalition on keeping as much land as possible. "There is a lot at stake these coming days," Mr Ross will require all his skills to move the peace process forward.

Egyptian groups take the public road

Mark Huband on the attractions of the Cairo Stock Exchange to a new generation of business leaders

Taking your wares to the bazaar used to be a rather simple process. You made your product, took it to the market, and sold at the best price. The product was what you sold. In Egypt the idea of selling the company did not enter the equation.

But the evolution of Egypt's market place has changed all that. Within less than a year a new terminology has filtered into the closed world of private companies, whose secretive and family-oriented father-founders are now giving way to sons with an eye on rapid growth, joint ventures and accountability.

The stock market, which has seen the value of trading soar from E234m in 1991 to E10.9bn (\$3.2bn) in 1996, and its capitalisation rise to \$18bn, has become the business community's new vehicle. While the lure of investment capital has left some business people wary, as they have preferred to keep their hands on the companies which they have built from scratch, others have leapt aboard the bandwagon, convinced that small is no longer practical and self or bank financing no longer sufficient.

"I wanted to go public, but people would ask me: why do you want to give away your company when it's so successful?" Mr Saad Salim, chairman of the Olympic Group, a leading trading and electrical manufacturing company, explained.

From a modest office block just off a dilapidated road about in the Mogatam hills overlooking Cairo, Mr Salim in January instigated what is now viewed as a turning-point in the evolution of the Egyptian capital market. The company raised E25.5m by selling 16.7 per

cent of its Cairo Precision Industries subsidiary in the form of 300,000 new shares on the Cairo Stock Exchange, the first such Egyptian issue.

The issue was 11.4 times oversubscribed, and the experience has meant that we will now float 25 per cent of the holding company as 600,000 new shares in an IPO (initial public offer) by June of this year. And within 18 months we expect to create three new companies and float all 12 of our companies. Our hope is to raise between E150m and E200m in the next 18 months," Mr Salim said.

Olympic Group, which is Egypt's leading manufacturer of domestic heaters, has now set the trend in the evolving relationship between old business and new finance. Like many of Egypt's family companies, it was founded during the years between the 1962 revolution and the nationalisation programme launched in the early 1960s.

Until 1975, when it was returned to family ownership, the company experienced zero growth, just managing to support the Salim family. In 1985 Olympic sold 14 per cent of its holding company in a private placement.

"With this private placement we brought down the psychological barriers of the group's shareholders," said Mr Salim, who succeeded his father as chairman. "Now, the tycoons are thinking about becoming transparent, and transparency will mean

Egypt: corporate culture takes hold



Stock exchange

that people won't be able to do what they used to do. The capital market has really changed our activities. Nothing will stop it now. It is a fantastic tool for growth, which is the name of the game."

So why is there still scepticism? The level of foreign investment on the Cairo Stock Exchange last year reached \$700m. According to Mr Yousef Boutros Ghali, Egypt's minister of state for economic affairs, this figure will double this year. Managing success, Mr Boutros Ghali said recently, was

more difficult than managing a crisis. It is this truism that has intensified the caution of those not yet ready to hand over the fruits of their labour to a market viewed by some as immature and volatile.

"We are still waiting to see if the market really is mature enough and ready for an influx of private sector issues and IPOs," said Mr Khaled Sheta, the young vice chairman of the highly successful, family-run International Group for Investment. "The success of the capital

market will come out of the private sector IPOs, rather than privatisation. But there's a high level of sophistication in the stock market, which has to be regulated before the balloon bursts," he said.

"The trend right now in the family businesses is that families will join forces with other family companies in projects that neither would be able to do on their own. People are breaking out of their own little kingdoms and joining forces."

"But the younger generation has a different challenge: we are competing with the whole world," Mr Sheta said, predicting that most family-owned companies would sell between 15-30 per cent of their stock within the next 18 months.

However, such moves will require drastic improvements in the conduct and regulation of the CSE, which is to see widespread reforms in the next six months. Attracting private companies to the stock market will be the key to its future prosperity. Although the government intends to privatise 18 companies this year, it will increasingly seek anchor investors for those remaining to be sold, highlighting the importance of the private sector for the stock market.

"Most important financial institutions in Egypt work," said Mr Boutros Ghali. "All are working in one way or another. And they are working at a very high rate. But the capital market needs a second generation of reforms. We need to establish risk-sharing mechanisms at all levels; to develop contract-enforcement mechanisms; and to have a population of healthy borrowers."

Exploiting domestic savings is now viewed as essential to the perpetuation of the stock market's vibrancy. Central Bank figures show that Egyptian banks, excluding the CBE itself, held E245bn in savings, equal to 15 per cent of gross domestic product. While overseas investors wanting to place their money in Egyptian stocks have generally not allowed the institutional shortcomings of the market to damp down their enthusiasm - many fully exploiting the increasing use of global depository receipts for Egyptian issues - local investors in bank companies in the local market are thought unlikely to invest their savings without widespread reform.

"We don't want to see people joining in without being advised by their bankers on how it works. The fund managers and regulators should be more regulated during this next period. They have been involved in these upward movements," said Mr Sheta of IGI, referring to recent share price rises inspired by brokers but viewed as unreflective of real value.

The demands of business people are as direct as those of potential investors. "There's not enough market information. There can never be too much information. This year companies will have to provide quarterly statements, which means improving accounting procedures," said Mr Angus Blair of ING Barings.

"The auditing procedure of financial intermediaries must also become more clear."

"Our interest now is in seeing Egyptian companies perform better. And this year it is going to be interesting to see if they do."

Zaire rebels under pressure to stop fighting

By Michaela Wrong in Nairobi

The rebel group now controlling a quarter of Zaire's territory came under international pressure yesterday to stop fighting and open negotiations with President Mobutu Sese Seko's regime, which is increasingly desperate for a deal.

Asked to attend an Organisation of African Unity (OAU) summit on Zaire - an invitation that represented a diplomatic coup for the rebels - the Alliance of Democratic Forces for the Liberation of Congo-Zaire (ADF) was pressed to talk terms with the official Zairean delegation.

"I wish in the name of Africa to appeal to both parties to rise to the challenge of the hour," Mr Salim Ahmed Salim, OAU secretary-general, told the summit.

"The presence of the two delegations offers the parties a unique opportunity to move the peace process forward with courage and determination."

The invitation extended to the ADF, snubbed at previous peace summits, was a measure of the alarm felt by both regional powers and western governments at the slow-motion collapse of Zaire's government in the face of the five-month uprising.

With the ADF now advancing on the towns of Lubumbashi and Mbuji-Mayi and threatening to seize control of the copper and diamond-rich provinces that prop up Zaire's faltering economy, rumours of an imminent army coup have been circulating in Kinshasa.

The resignation earlier this week of Prime Minister Kengo Wa

Dondo, trusted by western governments but blamed by the opposition and army for the military debacle, has added to the growing sense of unease.

The US, France and Belgium now have more than 1,000 troops stationed across the river in Congo, ready to evacuate expatriates should Kinshasa fall prey to the "barbaric" hands of warlords.

The level of desperation in Mr Mobutu's camp became clear on Tuesday night when a spokesman said the president's party was ready to share power with the rebels, until now dismissed as Ugandan and Rwandan-backed foreign invaders. "First we will talk to find the mechanism for a ceasefire and then we will share power before elections," he said.

But the ADF, apparently well

aware of the risks inherent in making a deal with Mr Mobutu - a wily negotiator skilled in the art of co-opting and corrupting his enemies - yesterday rejected the idea of power-sharing as unacceptable.

"We shall never, never enter into any power-sharing with the government in Kinshasa," said Mr Bismah Ntumba, the ADF's spokesman. "We want a new government, a new constitution and a new leader of the Lomé delegation. The issue is not power-sharing because you can have power-sharing today and the following day Zaire will still collapse. The problem is democracy, freedom, human rights respect. That's all that we want," he told the BBC.

South African officials who have been mediating between the two sides recently reported that Mr Laurent Kabila, the rebel leader,

was showing signs of becoming more conciliatory and had dropped his demand for face-to-face talks with Mr Mobutu.

The main stumbling block, the said, was the question of whether a ceasefire preceded negotiations as Mr Mobutu wants, or negotiations came before a ceasefire, as Mr Kabila wants. The UN is hoped to mediate the two to accept ceasefire and simultaneous face-to-face talks.

That dispute is expected to be central to the Lomé summit. But as his forces continue sweeps across the country, encountering rapturous welcome in town after town, analysts say Mr Kabila may well be tempted to use the issue as a delaying tactic, touting his will to make peace on the international forum while his men quietly tighten their hold on Zaire.

WHO to urge bar on CJD-risk blood donors

By Frances Williams in Geneva

The World Health Organisation is to recommend that groups of people at heightened risk of contracting the brain-wasting Creutzfeldt-Jakob Disease should be barred from donating blood.

At the end of a three-day meeting in Geneva, scientific and public health experts

decided that although there was no proof that Creutzfeldt-Jakob Disease (CJD) could be transmitted by blood transfusion there was a potential risk.

The meeting was called to examine the safety of medicines and blood products in the light of evidence on the transmission of bovine spongiform encephalopathy (BSE) or "mad cow" disease, and its possible link

with a new variant of CJD. The three groups already known to have an above-average incidence of normal CJD, which strikes about one person in 1m, are those treated with contaminated growth hormone in the early 1980s, those who have had brain and other surgery using duramater which is used to patch tissue, and family members of CJD victims.

The experts also reinforced a previous WHO recommendation that blood should not be taken from any sick person, including CJD patients, and said they would advise the WHO to recommend against the use of duramater for any purpose.

Dr Paul Brown of the National Institutes of Health, Bethesda, in the US, said yesterday that some

11,600 people had received growth hormones from cadavers in the US, Britain and France, of whom 86 had contracted CJD. Growth hormone is now made from recombinant technology which carries no CJD risk.

The recommendations on blood transfusions follow laboratory experiments by Dr Brown that show a small risk of CJD transmission through blood plasma in

micre injected with the disease. However, the WHO experts stressed yesterday that there was no evidence that anyone had ever been infected with CJD through blood transfusions.

The experts confirmed earlier recommendations on medicinal products using bovine products such as gelatin, which are regarded as safe provided the ingredients are properly processed.

Education proves a poor investment

By Rouse Khalaf

Despite spending generously on education, Middle East and North African countries have achieved disappointing returns on their investment.

According to papers recently presented by World Bank officials at a Paris conference, the main constraints to successful returns on education in the region include a bias towards preparing students for public-sector jobs, and inadequate access to education for girls.

The region's governments spend about 14.9 per cent of gross domestic product on education, more than other developing countries with comparable income levels. In primary schools, average spending is about \$156 per pupil per year, close to the \$186 recorded in several high-performing Asian economies.

However, the studies say that an extra year of education per person in the region has a 1.5 per cent effect on real GDP, compared to 2 per cent in Latin America and more than 3 per cent in East Asia.

With a growing majority of the population under the age of 30, governments

across the region are now placing top priority on education reform.

Despite the achievements of the past 30 years in which literacy rates rose from 20 to 69 per cent, access remains insufficient. The gross enrolment rate for females is 80 per cent for primary education and only 47 per cent for secondary education.

Given present trends, illiterate adults in the region will number about 66m in the year 2000, the same as today, Mr Willem Van Eeghen, the World Bank economist, estimates. But while there will be fewer illiterate men, the number of illiterate women will increase.

Perhaps the greatest challenge governments face is improving the quality of education and tailoring it to suit labour market demands. Throughout the region, education systems churn out increasing numbers of graduates expecting a comfortable public-sector job at a time when the civil service should be shrinking.

Because most graduates traditionally went into the civil service, artificially inflating the demand for higher education, the

schools have provided skills required by the civil service. Today, however, says Mr Van Eeghen, it is the private sector which has a greater demand for labour.

The result is on the one hand rising unemployment, especially among educated

youth, and on the other a civil service forced to take on graduates to fulfil a social rather than an economic need. Total unemployment has reached 28 per cent in Algeria and almost 20 per cent in Jordan.

According to Mr Van

Eeghen, almost 60 per cent of the unemployed in Egypt have secondary or higher education, a situation repeated in other countries in the region. The region has also produced one of the biggest civil services in the world, with a government wage bill estimated at 9.8 per cent of GDP.

"The fact that the best trained and best-paid people ended up in a large public sector where they did not necessarily contribute to economic growth points to distortions in the labour market and a large disconnect between wages and productivity."

As real wages have declined in the region, says the wage return to education. Mr Van Eeghen estimates the pay premium for an additional year of schooling for those entering the labour force today is only 5 per cent. The premium for workers over 40 was more than 9 per cent.

"Evidently, education is becoming a less attractive investment option. Unfortunately, this is at a time when the Middle East and North Africa's changing economies are requiring more and better skills."

Education proves a poor investment

Education proves a poor investment

Education proves a poor investment

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NEWS: THE AMERICAS

FT INTERVIEW: Robert Rubin, Treasury Secretary

Optimist at the US economic helm

Two hours after the US Federal Reserve raised short-term interest rates for the first time in more than two years, Mr Robert Rubin, the US Treasury Secretary, is in confident mood. "My instinct is to think the most likely position going forward is pretty much what we've been having: solid growth and low inflation," he says.

How is it that the US has been growing consistently faster than what most economists believe is its underlying potential without inflationary consequences? Mr Rubin believes that over the past decade, US industry has become very much more productive and competitive. This change is the result of a more professional approach to corporate management, an open-minded adoption of new technology, globalisation, and the consequences of corporate restructuring. "The take-over wave of the 1980s created pressure towards leaner (he chooses this word carefully), though it also had some negative consequences".

A man whose slightest nuance can have political and market repercussions, he has a habit of searching for words that express his meaning without getting him into trouble. It is not easy for him to claim this, but it seems clear that "leaner" has led to greater insecurity among US workers, and depressed their wage expectations.

Predictably, he also credits government policies in the past four years with having fundamentally improved the operating environment. "If we hadn't brought the deficit down, we would have choked off recovery in the early stages," he claims. Deficit reduc-



Robert Rubin: chooses his words carefully

tion remains the highest priority. Stressing the importance of reaching an agreement this year to balance the budget by 2002, he indicates longer term structural reforms in areas such as Medicare and social security will probably have to wait for conclusion of a balanced budget deal. "It will be difficult to get people to focus on those processes until balanced budget legislation is enacted."

For an administration which wants to mark its place in history by reforming social programmes, this must be deeply frustrating. Mr Rubin believes that balanced budget legislation can be put in place this year. "There's such a broad agreement on the view fiscal disci-

pline is central to our economic health." He is committed to a zero deficit, for political as well as economic reasons. "The balanced budget as a goal has a power to it people can coalesce around."

The big trade deficit - January's was the largest for years - is another matter. Here Mr Rubin again picks his words with extreme care, repeating the official mantra: "a strong dollar is in the country's interests. We've had a strong dollar for quite some time now." But he does not suggest that exchange rate management is the answer to the trade deficit, which he explains largely in the context of America's high growth rate relative to the rest of the world, and its low

savings rate. America's exposure to the world economy has been transformed in the past couple of decades - "It's not just different, it's a change in kind," says Mr Rubin. He stresses the role of emerging markets, and the continuing importance of trade liberalisation for the US economy. Here, he has a worry: "there is a misunderstanding of globalisation." The downside of the restructuring which has made American business so much more competitive has been a growing hostility to further trade liberalisation. "It's a much more difficult public environment for trade," he says. "Domestically, there is less support for liberalisation than there used to be, and that's a big problem."

The controversy over the financing of the last election - which includes allegations of China using campaign donations to influence US trade policy - cannot be making the arguments any easier to advance. But again the secretary is sanguine, brushing off suggestions that vital issues such as China's accession to the World Trade Organisation could be compromised by the fund raising drama.

However, he is concerned about the way America is "turning inward" on itself. "It's very difficult to convey to the American people the importance to our national interest of the success of the rest of the world." There is not much that the US can contribute to the faltering economies of Europe and Japan. But the developing world is a different matter. Mr Rubin places a surprising degree of emphasis on the importance of supporting the institutions which can bring about reform and economic

development. The US has to pay its full share towards the United Nations, the World Bank and the IMF though getting this through Congress will be difficult.

Subject to the detail, he approves of the World Bank's proposed reorganisation - the "Strategic Compact" - which reaches a critical point next week.

The continuing strength of the US economy has given Mr Rubin great power and authority within the administration. He wears this lightly. Softly spoken, and still dressed like the successful Wall Street banker that he used to be, he does not behave like a career politician. For one thing, he rigorously refuses to comment on areas outside his competence. He has been in Washington for over four years, first as chairman of the National Economic Council, and at the Treasury since January 1995. Over that time, the structure and discipline of his personality has tamed the wilder policy ambitions of his impetuous boss, and both talk of each other with great respect. But there may be another side to this careful personality. In his suite of offices, opposite the Alexander Hamilton silverware, hangs a most un-Treasury like painting. Picked to remind him of his "demi-monde" days as a student in London, it shows a heavily made up woman displaying a pack of cards on a green baize cloth.

It is not clear whether she is in the gambling or the forecasting business.

Richard Lambert,
Gerard Baker and
Patti Waldmeir

AMERICAN NEWS DIGEST

Strong rise in US durables

Orders for costly manufactured goods posted a surprisingly strong gain last month, hitting record levels after a robust January, the Commerce Department said yesterday.

New orders for durable goods in February climbed 1.5 per cent to a seasonally-adjusted record of \$176.3bn, sharply contrary to Wall Street economists' expectations that orders would weaken by 0.4 per cent. The jump underlined the vigorous manufacturing sector's role in a steadily growing economy.

The rise in goods from computers to railway equipment came after a revised surge of 4.1 per cent in January.

Analysts said the strong tempo of factory business, accompanied by rising shipments of finished goods and growing backlogs of unfilled orders, affirmed that the economy was expanding fairly briskly in the first quarter.

Reuter, Washington

Texaco settlement approved

A federal judge has approved Texaco's record \$175.1m settlement of a widely watched racial discrimination suit, the company said yesterday. Under the accord, claimants will receive awards ranging from \$50,000 to \$30,000.

The case received widespread attention after transcripts of tape recordings submitted as evidence showed executives allegedly discussing the destruction of documents and making racist remarks. The settlement is believed to be the largest ever in a discrimination suit. The class action covers all blacks employed in salaried positions at Texaco or its subsidiaries at any time from March 23, 1991, until November 15, 1995.

US District Judge Charles Briceant said he would rule later on fee applications by the two plaintiffs' firms which are seeking 25 per cent of the cash part of the settlement. The judge said he had received letters from several claimants objecting to the requested fees, which would come to about \$29m.

The plan was well received by civil rights groups and by the Rev Jesse Jackson, who responded by calling for an end to a consumer boycott of Texaco he helped initiate. Texaco fired a top executive of an insurance subsidiary and took actions against other current and former employees.

The moves came after the company received a final report from an outside lawyer.

Reuter, New York

Clinton unveils health body

President Bill Clinton yesterday unveiled a commission to examine complaints about health care changes which have cut companies' medical insurance costs but are also accused of lowering the quality of care.

The establishment of an Advisory Commission on Consumer Rights and Quality in the Healthcare Industry follows growing complaints from the medical profession and consumers about the effects of moves by US employers to shift a majority of American workers into "managed care" insurance. This controls both the amount and the costs of care available under the private health insurance which covers most Americans and is usually paid for by their employers. The commission's 11 members represent a cross-section of interested parties in the healthcare debate. The White House said their mission was to help ensure that healthcare remained of "high-quality... as we move towards more managed-care arrangements".

Levin Boulton, Washington

By Richard Waters in New York

American industrialists reacted cautiously yesterday to the first increase in US interest rates in more than two years, while warning that further increases in the coming months could begin to threaten the country's long-running economic expansion.

Among the strongest reactions was that from the National Association of Manufacturers, which called Tuesday's 25 basis point increase "unwarranted". Mr Paul

Huard, senior vice president, called the Fed's move "simply wrong" and a "regrettable and serious mistake." The association said it believed US monetary conditions were already relatively tight given the low level of inflation, and any increase in rates, however small, would hamper US industry.

Most companies, though, avoided direct criticism of the Federal Reserve's action, preferring to caution instead about the dangers further increases might have.

Mr Robert Eaton, chairman of

Chrysler, said: "I hope he [Mr Greenspan] would be able to leave [rates] right where they are right now or at most raise them another 25 basis points later in the year." If the Fed ends up lifting interest rates by a total of 75 or 100 basis points, the impact would be "very significant," he predicted.

Ford Motor said Tuesday's rise would add only around \$7 a month to the cost of financing the average vehicle purchase. Of greater importance would be the impact on consumer psychology, since the

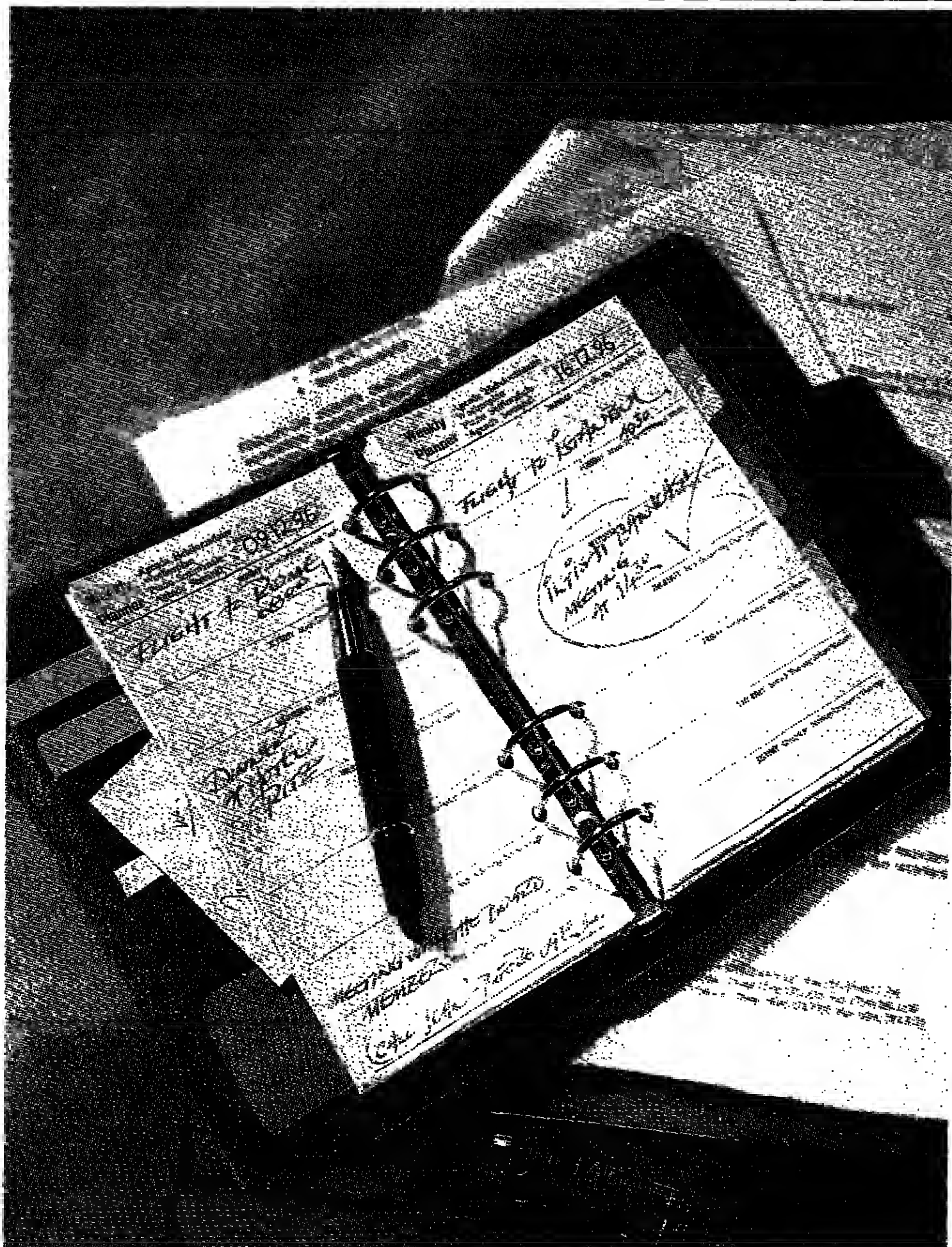
increase may begin to dampen the buoyant level of consumer confidence. Any perception among consumers that this week's move would be followed by further rate rises would add to those concerns. Ford said and this year's heavy sales level would begin to fall.

While refusing to either criticise or endorse Tuesday's move by the Fed, the company said: "There certainly is an understanding of what they did, and they certainly telegraphed it beforehand."

Most US manufacturers had

already built at least one, and possibly two, 25-basis point increases into their business plans for this year, though some had expected the Fed to wait some weeks longer before acting.

Most car companies, for instance, expect sales of new vehicles this year to reach around 15.4m. However, that is well below the fast pace of sales so far this year, which have been running at around 15.8m at an annualised rate, implying an expected slowdown in the coming months.



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NEWS: ASIA-PACIFIC

Malaysia takes a calculated gamble

By James Kynge in Kuala Lumpur

At first glance it may look like a fit of pique between two neighbours whose relationship has grown increasingly irritable.

However, there are signs that Malaysia's suspension yesterday of fresh commercial and bilateral dealings with Singapore is a good deal more calculated than it appears. Observers in Singapore and Malaysia said this initiative has been carefully planned and is aimed at achieving specific economic and political concessions.

Kuala Lumpur hopes to force Singapore's hand on at least three important economic projects.

Malaysia has been pressing Singapore to agree to its plan for a

bridge to replace the 74-year-old causeway which forms the only terrestrial link between the two countries. But Singapore has yet to signal its approval. The demolition of the causeway, Malaysia believes, will allow ships which currently use Singapore's port to find an easier passage to Port Klang, Malaysia's leading port.

Malaysia also wants Singapore to approve another bridge, a so-called "third link" from the eastern side of Singapore island to an area near Pasir Gudang, a Malaysian port which is showing strong growth. This could increase the number of Singapore cargoes to be handled by the Malaysian port, where transshipment costs are cheaper.

A third major project is the proposed fast-rail link between Kuala Lumpur and Singapore. At the moment trains travel at glacial pace between the two countries, waiting in sidings for hours for no apparent reason. Some in Singapore fear, however, that a fast rail link would induce Singaporean shoppers to desert their ailing local markets for cheaper goods in Malaysia.

Accelerating the completion of these three projects was cited this week by Mr Goh Chok Tong, Singapore's prime minister, as a way to repair relations. He recommended that the projects be pushed forward "quite earnestly". "The new bilateral terrain has more to do with economic rather than political imperatives," said

the Business Times, a respected Singaporean newspaper with ties to the government, in an editorial this week.

It is also clear Malaysia's wants Singapore to show more contrition for recent remarks made by Mr Lee Kuan Yew, the city-state's senior minister. In spite of Mr Lee's unreserved apology for saying a southern Malaysian state was "notorious for shootings, muggings and carjackings", other members of the city-state's government have been less gracious.

Mr Goh has described the continued protests of Malaysians over the remarks as "noise" and called abruptly for the relationship to "move on". Mr Lee Hsien Loong, the deputy prime

minister and son of the senior minister, who was a co-signatory on the affidavit in which his father made his remarks, has declined to apologise. He has said merely that he joins in the senior minister's "explanation".

Observers said if Singapore was seen to give ground relatively quickly, then bilateral ties might recover before any lasting damage was inflicted.

Malaysia also appears to have constructed ambiguities which would allow it to retreat gracefully from its robust stand. The announcement was released selectively by officials who were careful to remain anonymous at a time when Dr Mahathir Mohamed, the prime minister, was overseas drumming up foreign investment.

ASIA-PACIFIC NEWS DIGEST

Gore puts gloss on China talks

US Vice-President Al Gore yesterday sought to put the best face on meetings with Chinese leaders, saying his talks in Beijing were aimed at setting the stage for a presidential summit later this year. "Our discussions were productive, friendly, searching and above all wide-ranging," Mr Gore said of his meeting with Mr Jiang Zemin, China's president.

Mr Gore, the most senior US official to visit China since the 1989 Tiananmen Square massacre, clearly wanted to signal Washington's desire for improved ties and Chinese leaders appeared receptive. The vice-president deflected questions about alleged Chinese contributions to the Democratic presidential election campaign, saying it was premature to speculate while an FBI investigation was in progress.

Tony Walker, Beijing

Japan investment rate slows

Leading Japanese companies are planning to increase capital investments in the forthcoming business year, but the rate of investment growth will be significantly slower, according to a widely watched survey compiled by the Long-Term Credit Bank of Japan.

LTCB said yesterday that capital outlays planned by 1,507 companies for the business year starting April 1 would increase for the third consecutive year by 1.3 per cent to ¥21,263bn (\$173.8bn). The rate of growth, however, will drop from the current year ending March 31. Among these curbing capital investment are construction and real estate companies, which have been hard hit by the property slump.

Gwen Robinson, Tokyo

The former most senior official in Japan's health ministry yesterday admitted accepting ¥50m of bribes, the latest in a series of public figures to be involved in corruption. Mr Nobuharu Okamitsu, vice health and welfare minister until his arrest last year, admitted accepting the cash from a nursing home developer in return for ensuring that the company received state subsidies.

William Daniels, Tokyo

Australian plans new party

Ms Pauline Hanson, the independent federal MP whose vociferous anti-immigration stance caused problems between Australia and a number of Asian countries last year, is to form her own political party.

Ms Hanson, a former Liberal party member, who won the Queensland seat of Orley as an independent with a massive swing in last year's federal election, said she envisaged having candidates running for both houses of parliament and in all states by 1998.

Ms Hanson, a former fish-and-chip shop owner, warned that Australia was in danger of being "swamped" by Asians and lambasted government expenditure on Aboriginal welfare.

Nicki Tait, Sydney

Vietnam curbs press

Vietnam yesterday moved to muzzle press reporting of its troubled banking sector by issuing rules listing "banking secrets" deemed off limits to the media.

The move is an unusual reinforcement of media censorship and underscores official alarm over recent reports in local and foreign media about the unhealthy state of Vietnam's banks. The decision comes a week before the country's parliament is due to pass a landmark banking law.

Jeremy Grant, Hanoi

Property time bomb ticks in Hong Kong

Shortage of housing - and its high price - are causing growing concern, writes John Ridding

On the morning of Hong Kong's budget this month, police detonated a suspicious package which had been left near the legislature. Bombs are as rare as ellipses in the territory and the box was empty.

The package was not without a message, however. "Down with Tung Chee-hwa [Hong Kong's future leader] and Dominic Wong [the housing secretary], who did not show concern to the surging price of housing units," read a note.

There are few other cities where bomb scares are motivated by apartment prices. But nowhere else does property evoke such passion. In land-scarce Hong Kong, the sector provides a barometer of public concerns and confidence, and it is sending distinctly mixed signals.

The reassuring message concerns business confidence. After bidding a record HK\$11.82bn (US\$7.7bn) at a government land auction on Tuesday, Mr Robert Ng, chairman of Sino Land, was asked whether he was confident in the territory's future under China. "You ask me after we pitch HK\$11bn?" he replied. "Are you crazy?"

Dr Lo Ka-shui, head of Great Eagle, estimates that his own group and a dozen

other big developers plan to invest more than HK\$900bn by 2000. These property magnates brush aside fears about the handover. Any upheavals would be seized as buying opportunities.

Confidence is also clear in the terms of transactions. Rents and capital values have slowed their ascent since last year, when residential prices soared more than 25 per cent and office prices regained lost ground from the 1994-95 slump. But office space, at an average of about HK\$66 (\$8.50) per square foot, is still among the world's most expensive, and the housing sector remains robust. "We could be looking at another annual increase of more than 20 per cent," says Mr David Faulkner, partner at consultants Brooke Hillier Parker.

However, while price trends and construction activity have left far behind the doomsday predictions of the 1980s in which pre-handover Hong Kong would become a ghost town, there is a dark side to the market that is causing increasing concern in the present and future administrations.

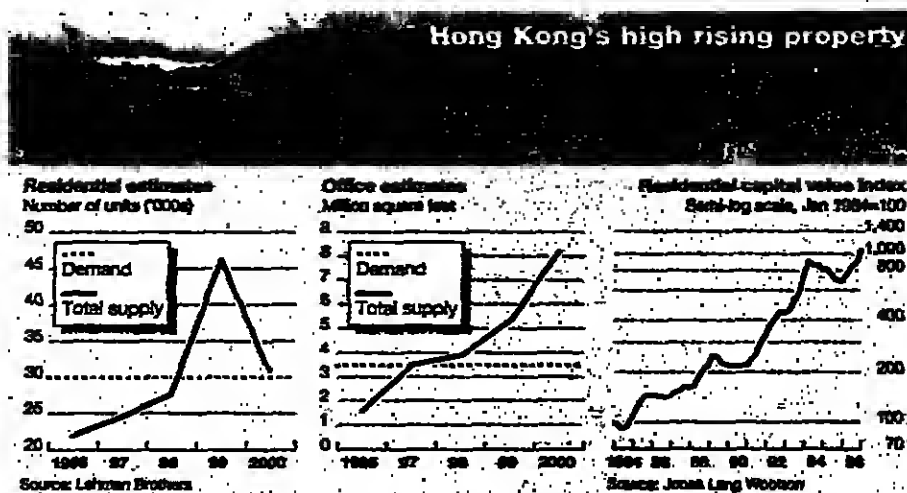
Speculation has reared its head. Rights to buy flats in a luxury project on the Kowloon peninsula changed

hands last month for as much as HK\$2m. And even if the government is right that speculation is being limited by counter-measures and voluntary steps by developers, it still faces a mismatch between supply and demand.

Middle-class couples express frustration that monthly salaries of HK\$50,000 are not enough to secure a step on the housing ladder, while high property prices fuel inflation and undermine the territory's competitiveness. Ms Christine Loh, an independent legislator, claims that the government restricts land supply deliberately to maximise revenues. A report by Salomon Brothers speaks bluntly of Hong Kong's housing crisis and warns of the impact of demographics increasing arrivals from across the border.

Mr Tung is aware of the stakes, citing housing and property prices as his top priority. "I greatly worry about our cost structure, competitiveness and therefore long-term viability," he said. Last week he appointed a taskforce to address the problem of housing, which he sees as the main worry for Hong Kong's population.

The present government is already wrestling with the



problem. Mr Donald Tsang, financial secretary, said in his budget that 680 hectares of land would be supplied for housing over the next five years, a 46 per cent increase. Mr Wong at the housing department has just announced an extension from 12 to 15 months on the pre-sales period for apartments (when they can be sold before completion). "This, he said, would bring 5,000 flats to market earlier. Dr Lo at Great Eagle welcomed the prospect of increased land. "They understand that this has to be tackled by supply, and that

is important," he says. But others doubt increased land is the answer. "The big developers all have huge land banks, so that is not the core of the problem," says one analyst. "The real issue is getting apartments built." The territory's chamber of commerce argues that the red tape involved in planning and construction means that the process of building new flats, from site identification to completion, takes between 11 and 14 years. Amid the increasingly heated debate, however, few see any quick solution. "Tuesday's auction suggests

the developers don't believe the market can be cooled anytime soon," said one consultant. "Mr Tung is right to be worried, but if there was an obvious solution it would already have been implemented, so he needs to avoid raising expectations."

Last week's bomb may have been false. But, in his view, housing and property need careful handling. The Hong Kong Association of Banks said it is raising maximum interest rates on retail deposits by 0.25 percentage points to 4.0 per cent, in reaction to US interest rate moves.

Pakistan president demands Kashmiri self-determination

By Farhan Bokhari in Islamabad

Mr Farooq Leghari, the Pakistani president, yesterday called on India to grant the right of self-determination to Kashmir in a speech ahead of bilateral peace talks which resume in New Delhi tomorrow after a three-year break.

In his annual speech before a joint session of the upper and lower houses of parliament, Mr Leghari urged India to "adopt the path of realism and demonstrate a willingness to implement its commitment to the UN and the international community to give Kashmiris their fundamental right to self-determination". Indian officials have sought to damp down expectations from the talks, suggesting their chief goal is to prepare the ground for discussions between the two sides' foreign ministers at the non-aligned summit in New Delhi on April 7-8.

"It's a more or less open agenda," said one official. "They're going to discuss everything, though of course we're well aware of

what Pakistan is most concerned to discuss."

Mr Nawaz Sharif, Pakistan's prime minister, and Mr H.D. Deve Gowda, the Indian prime minister, are expected to hold bilateral talks during the annual summit of the South Asian Association for Regional Co-operation in the Maldives in May.

An Indian opinion poll in the weekly Outlook magazine suggested popular support for improved ties with Pakistan, with 84 per cent of respondents welcoming the talks and 80 per cent saying the two countries should "make a new beginning".

A majority of the 1,224 people polled also said the talks should continue, even if Pakistan insisted on talking only about Kashmir.

However, 72 per cent said India should not make any adjustments to the border.

In his speech, Mr Leghari said peaceful conditions in the region would enable both countries to divert larger resources to improving economic conditions.

Western diplomats said Mr Leghari's remarks were a careful response to fears that resumption of talks would



Preparing for talks: Pakistan's Sharif, and India's Gowda

lead to a "sell-out" over Kashmir by Pakistan.

Islamabad has demanded the right of self-determination for the people of Kashmir, allowing them a plebiscite under the UN's auspices to decide if they

want to remain within India or join Moslem-majority Pakistan.

The offer to resume talks with India from Mr Sharif has been received with scepticism among Kashmiri nationalists.

PNG prime minister resigns

By Nikki Tait in Sydney

The political crisis in Papua New Guinea yesterday claimed the job of Sir Julius Chan, the prime minister, who told parliament he was stepping down following the Bougainville mercenaries affair.

Sir Julius' decision comes after a week of civil unrest. It was greeted by cheers from a 2,000-strong crowd camped outside parliament house in Port Moresby.

Sir Julius said Mr Chris Haiveta, finance minister, and Mr Matthias Ijape, defence minister, would also be resigning. The PNG cabinet is expected to appoint a caretaker prime minister soon. National elections, originally due in mid-year, are likely to be brought forward.

The resignations end a nervous time for PNG

resource stocks. Shares in companies such as BHP, Australia's biggest, Lihir Gold and Orogen were largely unmoved on the news. Most mining operations have continued unaffected, although BHP has removed its staff from Port Moresby.

The crisis began 11 days ago, when Brigadier-General Jerry Singirok, then head of the defence forces, announced the army had lost confidence in the government following its decision to call in the UK-based "military consultants" Sandline International to quash secessionist rebels on the island of Bougainville.

The mercenaries subsequently left the country, and Sir Julius promised an inquiry into their A\$6m (US\$3.2m) contract with his government. But anger over the size of the sum contin-

ued. The emotionally charged atmosphere was heightened by the contrast between PNG's financial problems and the sums the government was willing to expend on the Sandline initiative.

Resentment over the relative affluence enjoyed by some politicians resurfaced, with Sir Julius' private wealth becoming a bone of contention.

Meanwhile, Gen Singirok, though dismissed as army head, retained support among the troops and repeated calls for the prime minister to resign.

On Tuesday Sir Julius survived a parliamentary motion calling for his resignation, but street protests trapped some MPs in parliament house overnight; plans were being made to resubmit the motion.

Sir Julius, 57, is a veteran

of PNG's political scene, having served as finance minister in the country's first government after independence in 1975. He was prime minister in the early 1980s, resuming that role in 1984 after the re-election of Mr Palos Wingo, his predecessor, was declared invalid.

At the beginning of his latest term, Sir Julius tried to achieve a negotiated outcome to the guerrilla war waged on Bougainville since the late 1980s, but met little success. A subsequent stepped-up military initiative, using only PNG troops, proved a disaster.

Meanwhile, PNG's financial problems mounted, and in 1995 it was forced to accept an emergency loan from the International Monetary Fund and subsequently agree a "structural adjustment package" with the World Bank.

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FINANCIAL TIMES SURVEY

The imminent merging of the two boroughs, a lively café society and a vibrant new media industry are transforming the old pier and boarding-house image, reports Richard Adams

Economic goals unite twin towns

Forget the images of piers and seaside boarding houses. Brighton and Hove are undergoing huge changes that will transform the body and soul of the twin towns. One such change takes place in just four days' time, when the boroughs of Brighton and Hove merge on April 1 to form a single town. At the same time, the new region will become a unitary authority, when it takes over the functions of the county council within its area.

The change in local government follows a shift in the local political climate. What used to be a solid Conservative-voting region, especially affluent Hove, has shifted allegiances. The unitary authority taking over next month will have a Labour majority, and the Conservative stranglehold on the three local parliamentary seats in May's general election may also be under threat.

But the deepest change is that Brighton and Hove has begun to throw off its reputation for being "London-by-the-Sea". The 1990s have seen it develop a distinct identity while making the most of its strengths, including the region's easy access to London.

While Brighton's tourism, conference and retailing sectors remain robust, the two towns have developed what one resident calls "a truly café society", thanks to a happy combination of tourists, two universities with a 20,000-strong student population, and a vast array of restaurants and bars.

Mr Michael Petrie, chief executive of the Brighton and Hove Economic Development Company, says the town has a unique combination of vibrant cultural life and good location. "The feedback I get from companies is that there is a real fizz here," he says.

The two boroughs have also been successful in winning investment funds through the central government Single Regeneration Budget, a competitive fund open to bids by local authorities. Last December it was awarded a further £17.5m for revitalising ailing industrial estates, promoting an "academic corridor" of high technology research, and developing a range of training projects and business support.

Initiatives of this sort and the area's quality of life have

BRIGHTON and HOVE



An artist's impression of the £90m Churchill Square redevelopment in the centre of Brighton. By the end of 1998 it will provide 333,000 sq ft of covered retail space

Illustration: Hayes Davidson

attracted a new generation of artists, and designers skilled in new media applications, such as Mr Richard Wolfström and Mr Jonathan Hirsch.

Mr Wolfström and Mr Hirsch are directors of The Art of Invention, a three-person, multimedia design and production company in Brighton. Together with a third director, Mr Nigel Kent, the company has produced an award-winning CD-ROM computer compact discs for a client list that includes the Foreign and Commonwealth Office.

The Art of Invention is one of 20 innovative modern media companies based at the Brighton Media Centre.

Local leaders and businesses are optimistic that the talents of people such as Mr Wolfström and Mr Hirsch in multimedia and information technology can be the platform for a new industry

to boost the region's economy.

The Brighton Media Centre has attracted more than £1m of joint funding, and includes Cybar, an internet café, and training and production facilities.

Mr Ian Edwick, who was behind the formation of the centre, says it has become a focus for the region's new media activity.

"Four years ago people said there was no media industry here. We knew there was one, but it was in bedrooms and garages, and included people who lived in the area but worked in London," he says.

With local unemployment higher than the national average at more than 12 per cent, and with a manufacturing base that has been steadily eroded since the second world war, the region needs to develop new industries such as these.

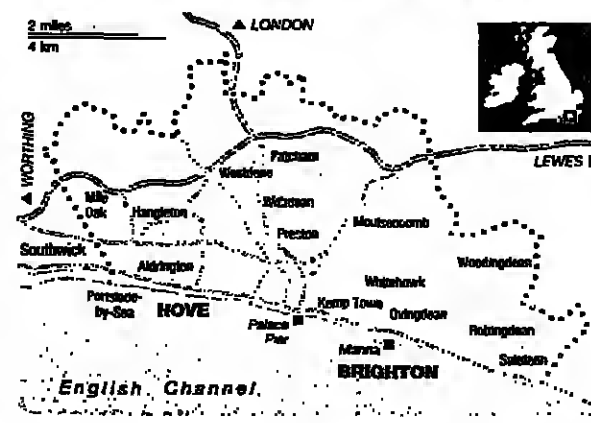
And, compared with some rival locations, Brighton and Hove are well placed to capitalise on the development of multimedia industries.

Brighton University has a nationally-recognised art and graphics design department, which provides a stream of qualified graduates, while Sussex University has strengths in science, computing and arts.

The two towns have been among the first beneficiaries of large-scale private investment in telecommunications. Nynex, the US telecoms company, is spending £2.2bn on 16 cable franchises areas within the UK, including more than £100m in Brighton.

The aim is to construct a fibre-based, broadband network able to connect "effectively every home in Brighton and Hove", according to Mr Jack McHale, executive director of business markets at Nynex.

Nynex's investment is bringing jobs to the town, but just as importantly is putting the area alongside the most advanced cities in the UK for new media, including interactive television and high-speed information communications such as integrated services digital network (ISDN).



This month saw the launch of the "Medialan 2000" trial, a Brighton and Hove-based project that Nynex says will link telecommunications, computer software and multimedia production in a local area network (or Lan).

The Medialan trial is supported by Sussex Enterprise, the chamber of commerce and training and enterprise council for East and West Sussex, and by funding from the Single Regeneration Budget. The trial is designed to develop the content for future interactive services for businesses, schools and residents.

"This trial is not about the technology itself, but the social, cultural and economic issues raised in its deployment," says Mr Johnny Shipp, the Medialan project manager.

The project also has the local authority's support. Mr David Lepper, chairman of the Brighton Borough Council's economic development committee, says: "It's an important first step that all public buildings are linked, and there are access points across the town."

The development of the Sussex Innovation Centre has helped support the fledgling new media industry. The centre, based on the campus of Sussex University, opened in May last year and provides space for high technology and research-based enterprises.

By the end of 1998 it will provide 333,000 sq ft of covered retail space, while the areas around the Brighton railway station and the "Ocean Boulevard" leading down to the shore will also receive support.

Brighton and Hove are the fifth most popular destination for overseas and UK visitors, attracting a total of 6m visitors each year. The Royal Pavilion, the recently-renovated seaside residence built for George VI, is viewed by more than 400,000 people annually.

But Brighton's most famous attraction remains the Palace Pier, which gets 3.5m visits, making it the UK's fourth most-visited site overall.

URBAN DEVELOPMENT • by William Lewis

Joint efforts solve problems

There are several examples of the public and private sectors uniting to tackle difficulties

Two minutes walk from Brighton railway station is the new headquarters of the Occupational Pensions Regulatory Authority, the watchdog of occupational pension schemes. Housed in Trafalgar Place, Opra is just the sort of organisation that Brighton and Hove wants to attract.

Mr John Hayes, Opra's chairman, lives in London and commutes to Brighton several days each week, making him a good advert for the quality and reliability of transportation to and from the capital.

Opra officially opens for business on April 7, when the 1995 Pensions Act comes into force, and is likely to want to take on local staff with experience in financial services. Other tenants of Trafalgar Place include Lloyds-TSB, Eagle Star, Royal Mail and Mott MacDonald, the consulting engineer.

Outside Trafalgar Place, however, is an advert for something rather different. The unusually large number of individuals begging for money illustrates the extent of Brighton and Hove's economic and social problems.

The unemployment rate is 12 per cent - or about 14,000 - almost double the national average. And almost two-thirds of these people have been out of work for more than six months - the worst record in the UK. Youth unemployment is also a big problem, with nearly a quarter of unemployed residents

under the age of 25.

Over the past year, there have been several significant losses of high profile employers. For example, as many as 70 job losses were announced when Volvins, the department store, decided to withdraw from high street retailing.

Only 6 per cent of Brighton and Hove residents work in manufacturing industry, compared with a national average of 18 per cent. More than 35 per cent work in the public sector, including care homes, and almost 22 per cent work in hotels, catering and retail.

Property is also a problem. Council officials describe as "conservative" estimates suggesting that more than 500 high-tech jobs are at risk because companies cannot find suitable accommodation. Council officials also say that most industrial estates are densely developed, and that they have poor access, as well as parking and servicing difficulties.

"The general environment of the estates is unattractive and not conducive to business or employee security," Brighton and Hove council says.

Nevertheless, there are several positive signs of the public and private sectors coming together in an attempt to help tackle Brighton and Hove's urban renewal problems.

For example, the Brighton and Hove Economic Development Company, a public sector-private sector organisation, is behind attempts to revitalise the route from the station to the sea known as Ocean Boulevard.

Mr Michael Petrie, chief executive of BHEDCO, says that the project is typical of

the work being done in Brighton and Hove through private and public partnership.

Several offices on the Ocean Boulevard route have been vacated by companies, giving visitors "a pretty unpalatable impression when they first arrive at the station," Mr Petrie says. The first phase of the project is focusing on revitalising the area just outside the station, and the funding is being provided through a combination of government money - via the Single Regeneration Budget - and private sector money.

BHEDCO was founded in 1993 when Brighton and Hove was beginning to feel the effects of company office closures. Mr Petrie says there were "severe knock-on effects" from the departures of several financial services groups from the area, but "private businesses came together to do something about the situation and forged links with the public sector".

He counts Opra's arrival as a success for BHEDCO, having "courted" the regulator for several months. Another recent success was attracting Alamo Rent A Car to Brighton where it is setting up its UK and European rental reservation and customer communication centre.

American Express has also chosen to consolidate a number of its European operations in Brighton.

The advent of the Brighton and Hove unitary authority will, Mr Petrie says, enhance the private-public partnership.

With most of the funding for urban renewal projects coming from Single Regeneration

Budget and National Lottery funding, BHEDCO, councillors and other agencies have proved adept at working the system to the advantage of Brighton and Hove.

"Part of the secret of our success to date has been the partnership between the local authorities and the private sector. With the advent of a unitary authority for Brighton and Hove, for which BHEDCO lobbied strongly, we are confident that the partnership approach will continue to flourish," he says.

In December, it was announced that the third Single Regeneration Budget Challenge bid submitted by the Brighton and Hove shadow unitary authority, on behalf of the Brighton and Hove Regeneration Partnership, had secured £17.5m for regeneration initiatives.

This was the largest award in the south east region made in the SRB round, and the funding will be used to improve industrial estates, restore the Old Market in Brunswick, and for several other projects.

Elsewhere, one of the area's main industrial estates, Hollinbury, recently received a boost when Sussex Police announced that it had bought 95,000 sq ft of operational and office accommodation.

There is also substantial investment going ahead along the Brighton sea front, where a landscaping project and business grants scheme is helping to revitalise the area.

"There is much to be done," Mr Petrie says, "but put together, all these projects can only help improve perceptions."

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II BRIGHTON AND HOVE

TOURISM IN SUSSEX • by Graham Bowley

Coastal resort towns foster alternative industries

The decline of seaside holidays has forced some resorts to nurture new businesses

Tourism continues to play an important role in the Sussex economy despite the decline of the traditional seaside holiday which has forced many formerly popular coastal resort towns - such as Hastings, Eastbourne and Brighton - to reinvent themselves and foster new industries.

"The seaside holidays of 30 years ago have gone, leaving the south-east coast of the UK with tired seaside resorts," says Mr Clive Coker, head of economic development at Sussex Enterprise, comprising Sussex's Chamber of Commerce and Training and Enterprise Council.

"Their best route out has been to turn themselves into something other than simply holiday destinations."

Nevertheless, many coastal towns are still heavily dependent on tourism, and here, as well as in areas further inland, the emphasis is on outgrowing a healthy industry while at the same time cultivating new businesses.

"Tourism is a major employer within the area, and should stay that way. It is especially important because we do not have a large industrial base in Sussex," says Mr Norman Baker, chair of economic development at East Sussex County Council.

The evidence is that this is being achieved. A recent survey of the Sussex economy, sponsored by Sussex Enterprise, showed that tourism and leisure, along with the retail industry, were the

areas in which companies were most optimistic about growth.

Overall, it found that 80 per cent of all companies wanted to expand over the next year, and one fifth of businesses said they wanted to grow rapidly.

"Tourism is not something Sussex can ignore. It is a growth area and it needs to be built on," says Ms Bridget Rosewell, of Business Strategies, a London-based regional economics consultancy.

In its favour, Sussex has a number of large tourist attractions to complement its several seaside resorts. Lewes, the administrative centre of East Sussex, is promoting itself as a site of historical interest.

It was the site of the Battle in 1264 when Simon de Montfort defeated Henry III. It also has links with Thomas Paine, the American political

pamphleteer. The surrounding areas have strong links with the Bloomsbury Group. Glyndebourne is one of the country's top venues for opera.

Surprisingly, Gatwick Airport has become a tourist attraction in its own right. In addition to catering for more than 22.5m travellers that pass through the airport each year - which support an estimated 24,000 jobs at the airport - Gatwick's shops and sights also attract 50,000 visitors a year who do not fly out but simply go to enjoy the facilities, estimates Mr Coker.

One problem with the jobs that tourism has created, however, is that they tend to be low paid and part-time. This is another reason, argues Mark Froud, director of economic research of Sussex Enterprise, why alternative industries must be supported. "Tourism is still an

important part of the economy and it will play an increasingly important part," he says.

"But it is still only one of a number of industries which the area must support." He points to advanced engineering and pharmaceuticals as examples of other growing industries.

Another problem facing Sussex, according to Mr Coker, is that while the area has many small tourist attractions it does not offer any single large modern attraction which would act as a magnet, particularly to visitors from overseas.

In this respect, criticism has been aimed at the area's planning authorities, which, the critics say, have discouraged development of large tourist attractions such as amusement parks.

"Many areas of Sussex are beautiful places to live. But there is little new develop-

ment and the people that live there - often commuters who work outside the area - want to keep it that way, to the detriment of people who want to live and work locally," says one critic.

But Sussex's biggest attraction, according to Mr Baker, is its natural landscape. For this reason, the Sussex countryside must be protected from destructive development, particularly new roads, he says.

"The last thing we want here are destructive road schemes. Some believe these bring people into the area, whereas in fact they take people out of the area," he says.

According to Mr Baker, tourism in Sussex is best supported by encouraging links with countries in continental Europe, especially the Netherlands and France.

"Cross-channel links are vital, which is why the gov-

ernment's stance of attacking Europe is very frustrating," he says. "The European market offers perhaps the greatest potential for us and we want a positive European policy from the government, not a destructive one."

One comforting finding from the Sussex Enterprise survey, according to Mr Froud, was that while during previous economic upswings, Gatwick Airport and the areas surrounding the airport, all in the north of West Sussex, dominated, in the present recovery growth is more widespread - with companies in Brighton the most optimistic.

In fact Brighton is one of the traditional holiday resorts which has been most successful in combining tourism and new industries. The town, once patronised by the Prince Regent who in 1782 ordered the building of

perhaps Sussex's most famous tourist attraction - the Royal Pavilion - has been transformed into a financial centre, as well as a centre for multimedia and for the creative arts.

To the east of Brighton, Hastings, whose Old Town of winding streets of shops and restaurants remains perhaps its greatest tourist attraction, has successfully begun to attract investment after a period of painfully high unemployment.

Earlier this year, hundreds of jobs were created when a Japanese company set up a direct insurance sales company in the town.

Further west, in Eastbourne, new investment has been secured for residential development around the harbour, while Newhaven has attracted significant amounts of official money for the development of its ferry port.

ART AND CULTURE • by Abby Hewitson

From buskers to divas

Urban lifestyle combines with the seaside atmosphere in an attractive blend

Brighton and Hove may be an attractive seaside resort for sun, sea, and fish and chips, but its cultural roots run much deeper than its surroundings suggest.

The two boroughs of Brighton and Hove, soon to be merged in one local authority, have a cultural diversity comparable to larger cities such as London or Manchester. The difference in Brighton and Hove is that an urban lifestyle is coupled with a warm seaside atmosphere, creating an attractive blend.

Because of this, Brighton and Hove attracts an eclectic crowd. A short walk along its seafront reveals all types of residents - from buskers to businessmen, senior citizens to students - of many nationalities.

The cultural scene matches the diversity of the town's population, offering something for everyone. It has a range of artistic institutions, with more than 30 venues to choose from, offering a broad spectrum of music, comedy, cinema, dance and drama, from local and international artists.

Brighton's cultural centre is the historic Dome and Museum Complex, a sequence of Grade I listed buildings on the estate of the famous Royal Pavilion. It



Nederlands Dans Theater 2 feature in the 1997 festival



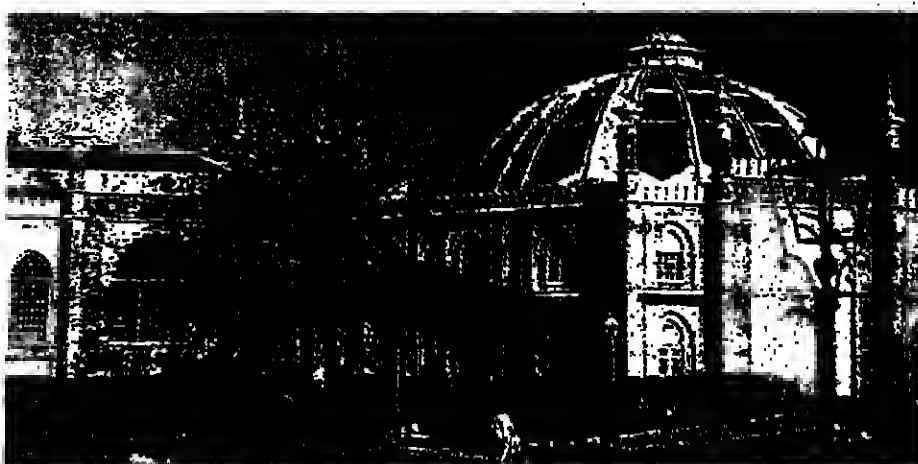
Baron: 'marvellous memories'

not only be a tourist attraction and an arts centre, but also a boost for local employment and an educational facility.

The 1997 Brighton Festival is particularly geared towards the regeneration scheme, and it is hoped it will significantly increase the amount of performing and visual arts in the area. Although the festival turnover is about £1.5m, it is non-profit making and relies heavily on fundraising and sponsorship.

This year's festival, in the first three weeks of May, is celebrating the anniversaries of Schubert and Brahms, but its programme remains varied. This year is the 31st running of the festival. Since 1968 it has sold more than 150,000 tickets each year.

This year there will be international theatre from New Zealand, Israel, and France, as well as national and local UK productions. The opera on offer ranges from the UK premier of *Dan-*



The Dome Concert Hall is part of the historic complex which forms Brighton's cultural centre

ton's *Death by Gottfried von Einem*, to *The Sorcerer's Daughter* by Lorenzo Ferrero, a comic opera for children.

Dance will be another major theme. The festival has co-commissioned a ballet for the world famous Rambert Dance Company, which receives its world premiere at the Theatre Royal on May 7. There will also be dance workshops for the public.

The festival hosts a joint poetry reading by Seamus Heaney, winner of the Nobel Prize for literature, and Ted Hughes, the Poet Laureate. Debates, exhibitions and talks by leading directors will be joined by the debut of an Edinburgh-style fringe festival of comedy and music, and a section for up-and-coming local artists.

Christopher Barron, the festival's director and chief executive, is intent on it being contemporary as well as mainstream. "We have to be exciting, to create marvellous memories. We can't just

sit around and talk about it," he says.

The festival's diversity is mirrored by Brighton and Hove's 400 restaurants and cafes and there is a large range of price and originality. In Brighton's town centre, The Lanes' narrow cobbled streets offer an excellent cafe culture, with at fresco possibilities in the summer and interesting "people-watching".

There is also, of course, the ultimate addition to every fashionable town - internet cafes and bars, with their futuristic decor, funky music and the ability for customers to surf the Net from their tables. Places such as the Cyber in Middle Street fit perfectly into the Brighton scene, which is probably unique in having two hairdressers connected on-line to the Internet.

In terms of clubs and discos, Brighton's finger is right on the pulse. With a range of music, there is a wide choice for every night

of the week. Brighton's most famous nightclub, The Zap, is on the seafront, so people leaving the club in the early hours are not faced with dark city streets, but the Palace Pier and the sea.

Although the club scene in Brighton and Hove is said to be as fresh and innovative as that of Manchester or London, its problem is that it lacks the large venues found in those cities. Most of Brighton's clubs are small and often cramped, usually with a capacity for fewer than 300 people. The atmosphere is not lacking as a result, however. The crowds are usually friendly and there seems to be no friction between the locals and the large student body.

"People are not going to the clubs here to be seen, as they do in Manchester - but to appreciate the music and meet other people - which is the way it should be," said Sarah Ogden, a Mancunian studying at Sussex University.



The festival: £1.5m turnover

The 1997 Brighton festival will try to combine Brighton's popular clubs and local multimedia expertise in what it claims to be the "world's first global clubbing experience". There are plans to link live performances at a venue at Sussex University to clubs in London, Nottingham and Glasgow, using a high-speed network.

Brighton and Hove's varied arts community is helped by its mix of different nationalities. Brighton's piers and beach serve as important attractions, making it the fifth most popular UK destination for overseas visitors. But not all of the foreigners in Brighton and Hove are simply visiting. Many are there on a semi-permanent basis, either as students or employees.

An Australian chef, who is travelling around the world, says: "I came to Brighton after visiting Africa and only intended to stay for a couple of weeks - that was eight months ago!"

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IT accord will scrap tariffs by year 2000

By Frances Williams
in Geneva

Nearly 40 countries representing more than 82 per cent of the \$600bn-a-year trade in information technology products yesterday agreed to put into effect a deal that will scrap virtually all tariffs in the sector by the year 2000.

The Information Technology Agreement (ITA), coupled with the accord concluded last month on liberalising telecoms services, is expected to galvanise further growth of the "information society" by slashing the costs of equipment, software and telephone calls.

The main outlines of the ITA were thrashed out between the US and the European Union during the WTO ministerial meeting in Singapore in October, when 28 countries accounting for 84 per cent of world IT trade indicated their intention to join.

A number of details were left to be settled in Geneva, with implementation made contingent on trade coverage of at least 80 per cent. The threshold was finally reached at the end of last month when Malaysia and Thailand agreed to take part. Their support - and that of South Korea, India, Indonesia, Taiwan and Costa Rica - came after trading partners agreed to a longer phase-out of up to the year 2005 for certain products.

Information Technology Agreement

The main points

■ The 39 countries signing the deal yesterday account for 80 per cent of the \$600bn world information technology trade. The pact will eliminate tariffs by the year 2000 on almost all IT products. Some developing countries have until 2005 for certain items.

■ The six main product categories are: computers (including accessories and components); telecoms equipment (including fax machines, modems, pagers etc); semiconductor manufacturing equipment; software (eg diskettes and CD-ROMs); and scientific instruments.

■ The tariffs will be cut in four equal instalments, beginning on July 1, and then on January 1 each year to 2000. However, the European Union has agreed to scrap its semiconductor tariffs a year early, half the reduction coming in July, with two more instalments ending on January 1 1999.

■ The 39 countries are: Australia, Canada, Costa Rica, Czech Republic, Estonia, the EU's 15 members, Hong Kong, Iceland, India, Indonesia, Israel, Japan, South Korea, Macao, Malaysia, New Zealand, Norway, Romania, Singapore, Slovakia, Switzerland, Taiwan, Thailand, Turkey and the US.

The tariff cuts will come in four equal instalments, beginning next July and continuing on January 1 each year until 2000. However, Brussels has agreed to a US demand for faster implementation of the tariff cuts on semiconductors.

EU chip tariffs, mostly 7 per cent but 14 per cent for some items, will be halved in July and eliminated completely by January 1 1999. In return, the EU will be admitted to the industry's Semiconductor Council created by the US and Japan last year. It is due to hold its first meeting next month.

The final endorsement of the ITA came late yesterday after the US took a formal

reservation on the EU's tariff classification of LAN (Local Area Network) telecoms equipment and multimedia personal computers.

The US has already secured a WTO dispute panel on reclassification of these items by EU members, notably Britain and Ireland, from computer equipment hearing a low tariff into higher tariff categories. The panel is due to report this autumn.

Poland and Panama, which had hoped to join the ITA, failed to get their tariff schedules approved by other participants, but can join the accord later. The Philippines and El Salvador also hope to join soon.

New markets seen as key to boosting growth

By Paul Taylor

Most information technology equipment manufacturers are strongly in favour of the Geneva agreement, which they see as lowering costs and helping to open new markets for IT products.

Executives from leading electronics groups emphasise that the IT industry is a global one, with manufacturing facilities and markets spread "all over the world". US multinationals such as International Business Machines, Hewlett Packard, Motorola and Intel stand to gain from the abolition of tariffs, by taking advantage of lower component prices and because of the opening-up of markets, particularly in the developing world.

With IT spending in some developed markets beginning to slow, personal com-

puter and other manufacturers are increasingly looking to new and emerging markets to help maintain their own growth.

Japanese, South Korean and Taiwanese component manufacturers, including semiconductor makers, should also be big beneficiaries of the pact.

The accord is expected to help the large IT and telecoms equipment makers such as Siemens, Philips, Alcatel and Ericsson which will be able to save millions of dollars in components pricing and be able to boost their overseas earnings.

"As a company, we are actively supporting this," Mr Albrecht Doehler, Siemens' liaison officer to the European Union, said yesterday.

Siemens, whose manufacturing interests range from semiconductors to telecoms equipment and personal

computers, has operations in Europe, North America and in Asia. "We are a global player; it's essential we can make decisions about where to produce and develop products without regard to duties," Mr Doehler said.

Siemens has been campaigning to end semiconductor tariffs in Europe - the price of entry to the US-Japan Semiconductor Council - even though the group has invested heavily in chip production in recent years.

European semiconductor and other IT makers acknowledge the removal of tariffs in some areas could hit domestic markets, but believe this will be more than offset by export gains.

Companies such as Siemens stress that the removal of tariffs on IT products must be accompanied by the ability to take action should dumping occur.

WORLD TRADE NEWS DIGEST

EU threat over S Korea imports

The European Commission said yesterday it might take action in the World Trade Organisation after South Korea failed to respond to European Union complaints about its alcohol import regime. The EU's complaints resemble those raised against Japan's alcohol import regime, which the WTO upheld last year. Canada, the EU and the US convinced the WTO dispute settlement body that Japanese tax differentials on liquor sold in the country effectively favoured domestic spirits over imported ones. An EU official said the South Korean regime was a similar one. South Korea is the fourth highest export market for Scotch whisky, with sales of £125m (\$200m) last year.

Brazil acts on trade gap

Brazil has introduced measures to increase the cost of the short-term financing of imports, in a further attempt to reduce its widening trade deficit. Importers buying goods on less than 360-day financing will now have to pay for their foreign currency at the time of delivery, which the government believes will affect 65 per cent of imports. The new conditions were announced at the same time as the government revealed that the trade deficit in the first three months of the year was \$2.85bn, compared to \$3.58bn in the whole of last year. This year's deficit is expected to be at least \$8bn. Imports with financing of over 360 days and imports of fuel are exempt from the new measures, the latest in a series of policy changes, aimed at raising tariffs, which have been aimed at easing the trade deficit.

■ Itochu, the Japanese trading house, and Toyo Engineering have won a ¥35bn (\$285m) order to supply a Malaysian company with a monorail system manufactured by Hitachi.

■ Kazakhstan has chosen Britain's National Grid Group as its preferred bidder to manage, operate and develop its high voltage transmission system. National Grid, which owns the transmission system in England and Wales, will own the transmission system in Kazakhstan. National Grid said an pay \$30m for a 25-year concession. National Grid said an urgent task would be to provide metering of electricity interconnectors with neighbouring states, especially Russia. Kazakhstan believes revenue is being lost by poor accounting for exports.

■ Rolls-Royce Aero Engines Services and Singapore Airlines Engineering yesterday announced the formation of a \$15.5m component services company. It will refurbish nozzle guide vanes and compressor stators, and service aircraft in the Asia-Pacific region powered by Rolls-Royce Trent and RB211 engines.

Israel to seek gas pipeline tenders

By Judy Dempsey
in Jerusalem

Israel is to issue an international tender to build and operate a pipeline to distribute natural gas within the country.

The gas will come from Egypt's Nile delta field via a planned undersea pipeline which will also supply three Israeli power plants at Haifa, Tel Aviv and Ashdod. The gas field is being developed by Amoco and Agip.

The infrastructure ministry also said it would press ahead with opening the energy sector to competition, signalling a shift in the government's policies towards the state-owned utility which will operate the pipeline. The government has been reluctant to place IEC on its privatisation list because of opposition by the unions which, over the years, have secured a wide range of privileges in one of the country's largest monopolies.

The introduction of natural gas to the Israeli market, planned for 2000, reflects the government's aim of reducing dependence on oil. At present about 63 per cent of IEC's fuel is coal, 33 per cent fuel oil and 4 per cent gas oil.

Analysts said IEC intended to increase the share of natural gas to 22 per cent and coal to 77 per cent by 2002. IEC has been seeking alternative sources of cheaper energy, but for security reasons it has been reluctant to build pipelines with Arab neighbours.

Japanese sense of taste keeps foreign rice at bay

By next week the Japanese rice market will have been technically open to imports for two years. But the world's big rice-exporting countries - Thailand, the US and Australia - are still struggling to get a foothold in the market, let alone gain consumer acceptance.

As part of the Uruguay Round world trade negotiations, Japan agreed to import increasing quantities of rice from 1995 onwards. In the year to March 1996 it imported more than 400,000 tons of rice, which is set to rise to 750,000 tons in 2000. At some stage after that, tariffs should replace the fixed quota system. However, overseas rice producers complain that although Japan is technically meeting its Uruguay Round commitments, foreign rice is disadvantaged at every stage of the import system.

All rice imports are channelled through the government food agency, which buys in bulk tenders and sets the price for foreign rice only marginally below that for domestic grain, which can be five times the world market price. Supermarkets and restaurants cannot import their own supplies, or sell foreign rice at a significant discount.

Moreover, foreign rice has often been sold blended with Japanese rice, so it cannot be judged on its own merits. Overseas producers suspect, but cannot prove, that foreign rice is being disproportionately used as overseas food aid or kept in storage.

"We believe that the spirit of the Uruguay Round commitment was for genuine market access. Unfortunately that has not occurred," says one Australian diplomat.

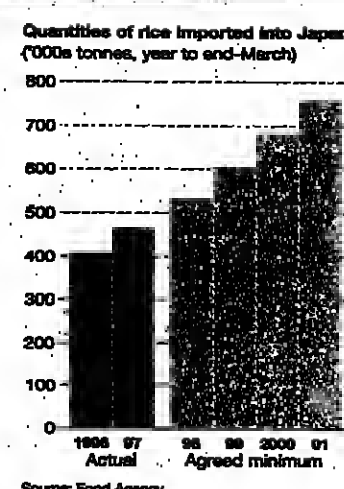
Japanese authorities say the reason foreign rice has not been more visible in shops is because consumers do not want it. Conventional wisdom is that because rice has a semi-sacred position in Japanese society, non-Japanese rice would be rejected on nationalistic or quasi-religious grounds. In fact, Japanese consumers seem to have more prosaic considerations: the key question is taste. Recent market research found that most women questioned would not buy foreign rice because they thought Japanese rice tasted better.

Producers argue that as non-Japanese rice has never been widely available, Japanese consumers have never had the chance to develop a taste for it. They are used to the moist, sticky grains of their local rice, and say foreign rice is *paso paso* - unpleasantly dry. Most Japanese consumers' only exposure to foreign rice was during a shortage four years ago, when Thai long-grain rice - very different from the shorter-grain Japonica strains - was imported.

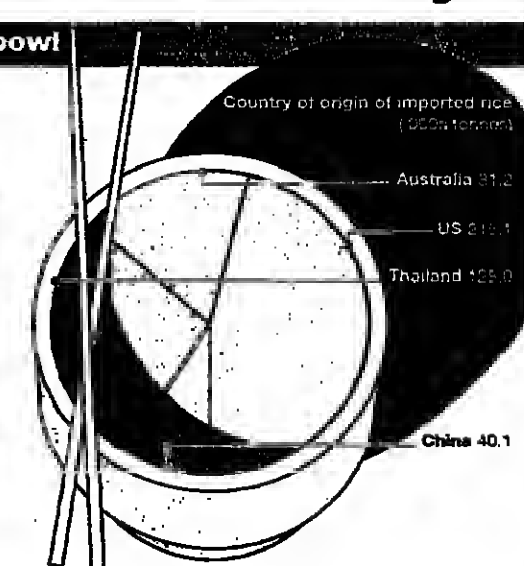
Now, in an effort to change negative impressions of foreign rice, the US Rice Federation is spending \$450,000 over the next few months on a campaign to promote American rice in Japan. Mr James Warshaw, vice-president of the federation, says: "We recognise we have come a long way: we have access, we have opportunities. But we still need to be able to show our products directly to the consumer."

The federation is confident

Japan: filling the rice bowl



Source: Food Agency



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The federation is confident

that, given the opportunity, Japanese consumers will come to accept foreign rice as part of their diet.

Initially shoppers, particularly more open-minded younger people, are being encouraged to try American-grown Japonica rice in the kind of Japanese-style pre-cooked snacks and meals typically found in convenience stores. The hope is that customers will realise American-grown Japonica rice tastes virtually identical to the home-grown product.

The next stage will be to convince Japanese consumers that non-Japonica rice can also be tasty if eaten as part of a foreign meal.

The Japanese have an increasing appetite for foreign food: almost every world cuisine is represented in Tokyo. But the only place one can eat an Indian meal with genuine basmati rice is probably the Indian embassy. Diners at Tokyo's growing number of Indian restaurants are presented with inappropriately sticky Japanese rice or, occasionally, Thai rice.

Italian restaurateurs complain that their risottos, made with Japanese rice, lack the authentic creamy texture. Again, US producers have taken a first step this

week with promotions of dishes containing long-grain rice - gumbo soup and fried catfish with rice, for example - at a few Tokyo restaurants.

Foreign rice growers hope the grain will eventually follow bread's example in penetrating the Japanese market. Ten years ago almost the only bread available in Japan was the bland, white sliced variety. That is still the norm, but recently specialist bakeries have been springing up to offer a profusion of specialty breads, which are proving popular.

With enough marketing, and freely available cheaper foreign rice, Japanese gourmets might grow to enjoy an occasional authentic risotto, or some fragrant Thai rice, as much as they now enjoy their sourdough or focaccia.

US and Australian trade and farm officials and producers all repeat the same message: they simply want Japanese consumers to be given a fair opportunity to decide for themselves. But as long as the import and pricing system remains, although the Japanese market may officially be open to foreign rice, Japanese mouths will remain firmly closed.

Bethan Hutton

OECD to approve 'crypto' guideline

By David Buchan in Paris

The 29 countries belonging to the Organisation for Economic Co-operation and Development (OECD) are set to approve today new guidelines on the growing use of cryptography in electronic commerce, chiefly the Internet.

The new guidelines will not be binding, but are likely to be the basis of national legislation in many OECD countries. On the initiative of the US, anxious to liberalise its own information technology and encryption exports without jeopardising low enforcement, negotiations started last December on the guidelines which will be approved by the OECD council of ambassadors in Paris today.

Their basic aim was to balance interests of users and of police and judicial investigators, by the former using "keys" that could be made available to the latter. Mr David Aaron, US ambassador to the OECD, explained yesterday.

"The Internet is like one vast party line, with hundreds of millions of people on the line. So it is obvious the only way for business to develop is with encrypted communications," he said. "On the other hand, we don't want to put power encryption tools into the hands of criminals or child pornographers."

The "crypto" guidelines will cover issues of trust, choice, market-driven development and standards of cryptographic methods, protection of privacy and personal data, lawful access and liability.

But their main practical impact will be to encourage "key recovery systems". One idea put forward is that some trusted third party in a transaction, such as a bank, might hold the encryption key which could be surrendered to police if any abuse were suspected.

Japanese to buy CDMA technology

By Paul Taylor in London

Two of Japan's leading cellular service providers, DDI and IDO, have decided to build new networks in Japan using equipment from Motorola, the US electronics group, which uses advanced code division multiple access (CDMA) technology.

The \$3bn deal marks the first time Japanese cellular network operators have selected CDMA technology and follows the Japanese government's decision to support the use of CDMA in addition to Japan's own JDC-800 digital standard.

"The introduction of CDMA into Japan, the second largest cellular market in the world, guarantees that this new digital service will become one of the world's foremost wireless technologies and confirms Motorola's position as the leading provider of CDMA infrastructure equipment," said Mr Gena Delaney, general manager of Motorola's Japan cellular infrastructure division.

CDMA, a rival to the European-developed GSM standard for digital cellular telephony, uses radio spectrum very efficiently. DDI will initially deploy its new CDMA network in the Kansai area which includes the cities of Osaka, Kobe and Kyoto.

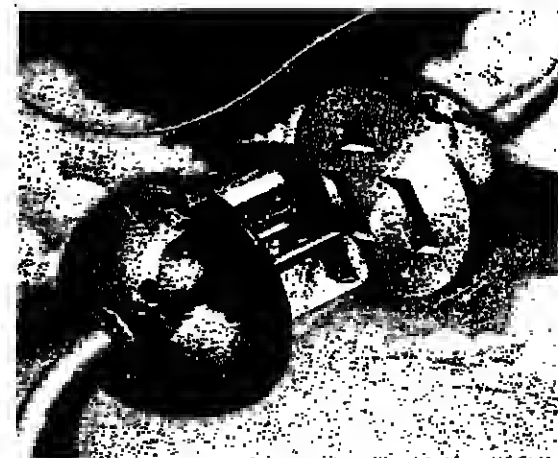
The IDO network will span the Kanto and Tokai areas which include Tokyo, Nagoya and Nagano to start with.

Commercial launches are planned for the second half 1998 with nationwide coverage involving the construction of more than 1,500 cell sites planned for 1999.

Reuter adds from Warsaw: Poland's Era GSM digital cellular phone operator is to buy DM250m (\$148m) worth of equipment from Sweden's Ericsson and Germany's Siemens.

The two companies will install more than 2,000 base stations by the end of 1998, as Era GSM increases its coverage of Poland to 65 per cent of the country from 30 per cent now.

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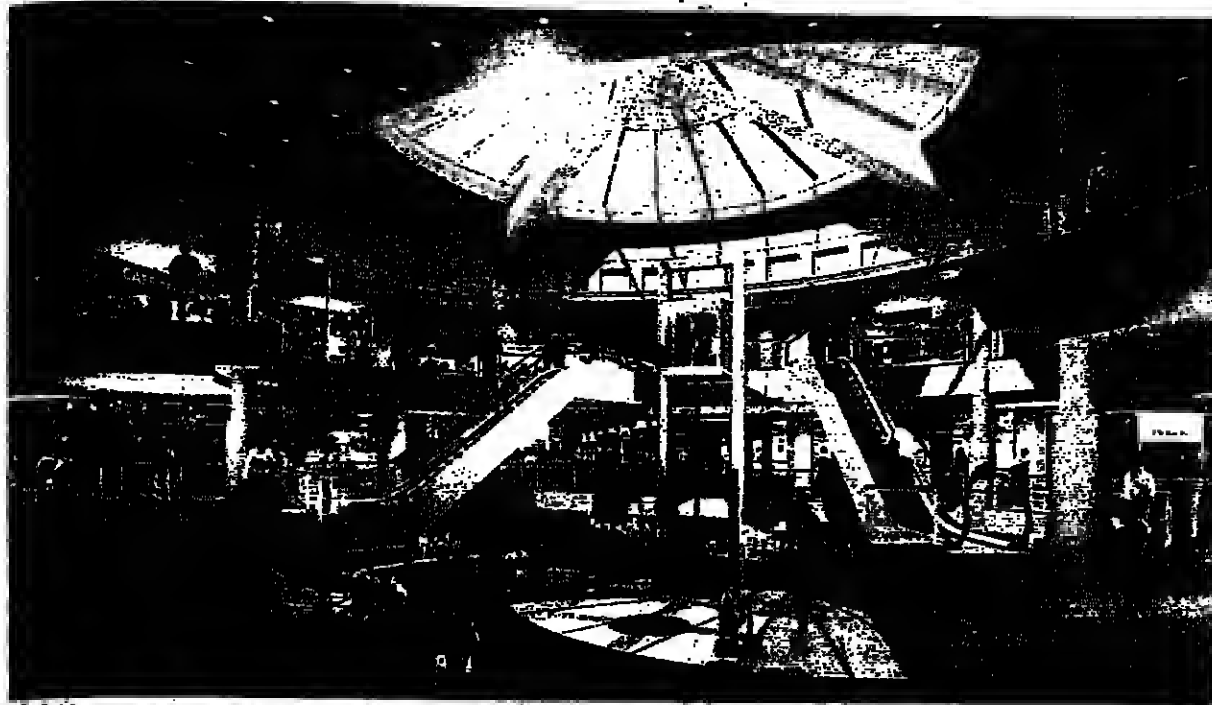


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BRIGHTON AND HOVE III

RETAILING • by Jane Martinson



An artist's impression of an atrium in the new Churchill Square. Completion is scheduled for Easter 1998

Extensive rejuvenation

Brighton aims to improve its shopping facilities and catch up with other centres

Brighton is aiming to fight encroaching competition from outside Sussex and restore its reputation as one of southern England's most important shopping areas in the coming year.

The centrepiece of this concerted effort is a £50m development to create a modern, covered shopping centre in the middle of town, which is due to be completed next spring.

At the same time, the local council and planners do not want Churchill Square to damage the town's existing range of retail outlets, including the small independent shops in the famous Lanes area and the little-known Bohemian quarter of North Laine.

Pressure to do something about the region's shopping facilities came at the start of the recession in the early 1990s.

Mr Martin Taylor, economic development manager at the Brighton and Hove council, says that the area started to lose out when other regional centres such as Crawley, Worthing and Tunbridge Wells began to upgrade or develop their own shopping areas.

"Brighton was gradually losing market share as there were other attractive options for people," he says. The market was potentially large. A survey conducted by Jones Lang Wootton in October 1993 found that Brighton had a catchment area of 507,000 - two-thirds of the entire population of East Sussex - which enjoyed a total annual spending power of £1.32m. Some 38 per cent of the potential customers in Brighton and Hove also used Brighton as their main shopping outlet. The town also attracts about 2.5m tourists a year.



The way things were: Churchill Square - a typical development of its era - was beginning to look sorry for itself

The council decided that while Brighton's retailers benefited from its leisure and tourism attractions, the town was failing to attract more dedicated shoppers.

"We had lost ground over the last couple of years through the lack of a modern covered shopping area," says Mr Taylor.

"If people are going to make a trip into town it is mainly to shop in multiples (larger chain stores) and that's where we were falling down."

The Jones Lang Wootton survey found that Brighton had the lowest number of multiples as a percentage of the total retail area when compared with six other historic town centres.

"The figures highlighted the strength of Brighton's independent retail sector but also that there was a need for the redevelopment of Churchill Square," said Mr Taylor.

Work started on the existing uncovered shopping centre in January 1996 after Standard Life, which is making the £90m investment, bought Brighton Borough Council's remaining stake. Churchill Square was built in the late 1960s by a consortium of Standard Life, Taylor Woodrow, the construction company, and the town council.

Mr Malcolm Harris, who was appointed as town centre manager as part of the scheme to revitalise the area, says that Churchill

Square - a typical concrete development of its era - "was beginning to look very sorry for itself".

The redevelopment will demolish part of the site and add a further 100,000 sq ft. There will also be 1,500 car parking spaces, a creche and as many as six restaurants.

However, while the numerous small independent retailers in the area mostly welcome the new development they do have some concerns. Mr Alan Moon, chairman of the Lanes Traders' Association, says: "I think that, without a doubt, it will bring more people into Brighton, but the question is what these people do when they are here."

The concerns touch on a perennial problem for Brighton: its limited car parking space. Mr Moon and Mr Tony Murnagh, the head of the North Laine traders' association, both fear that car parking restrictions could lead to an increased number of Brighton's visitors leaving the town centre after shopping in Churchill Square.

They are concerned that if cheap parking is provided for a very limited period - say, three hours - shoppers will not be drawn to other areas, which provide a different range of shops. Both also want clearly marked street signs leading to the Lanes and Laine, which are within walking distance of Churchill Square. Standard Life has not yet

made any commitment on parking or street signs.

Independent retailers have had to adapt to other challenges in recent years, and to the impact of recession.

The growth of out-of-town developments such as one at Holmehurst has brought home the need for innovation among the small independent retailers in the Lanes. It has become more specialised, with a greater tendency to service the tourists who visit the area. There has been rapid growth in the number of restaurants and bars.

Mr Murnagh of the North Laine area, which is separated from the Lanes by North Road, also believes that the area will be able to weather any adverse impact brought by the new development.

The North Laine, described as Brighton's answer to London's old Bohemian Carnaby Street quarter, is populated by 511 unusual shops. These include one which sells only crucifixes; one which sells cigarette cards; and another which sells only leather bondage equipment.

"I don't really expect tons of people to suddenly start coming to the North Laine," says Mr Murnagh, "but it would be good if a few more could be tempted here."

The association took its own positive measures when it helped design a new logo to be used on all street signs in the area, covering half a square mile.

The council and the Brighton and Hove Economic Development Company have also stressed the need for environmental improvement measures in the town in addition to the work at Churchill Square. Some £500,000 from the Single Regeneration Budget is to be spent on street furniture such as benches and lights, and on traffic management measures, on the main route from Brighton's railway station to the beach. The approach has been renamed Ocean Boulevard.

ECONOMIC DEVELOPMENT • by Richard Adams

Deceptive appearance

Service industries were hit hard in the recession. The conurbation is still recovering

Like the town's famous Royal Pavilion, the economy of Brighton and Hove is not all it seems from the outside. Behind an exterior of prosperity, the local economy has seen happier days.

Until the start of the 1980s, Brighton and Hove was one of the more prosperous regions within the UK. Like much of the south-east, it benefited from the rapid growth in services and house prices that accompanied the dramatic restructuring of the UK economy.

Because the region had never been as reliant on large-scale manufacturing industry, as some towns of similar size, it avoided the heavy impact on its economy suffered by others. Instead, its staple sectors of tourism and retailing were augmented, especially by conference trade.

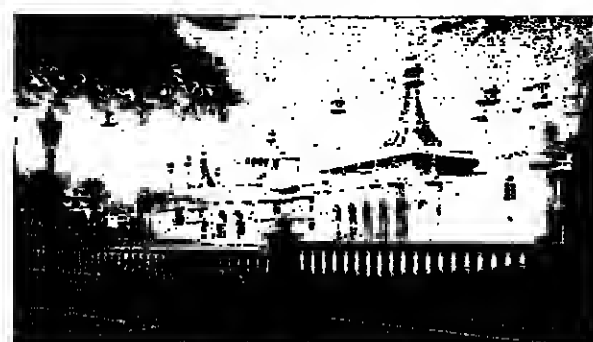
By 1991, Brighton and Hove had one of the largest financial service sectors outside of London. More than 15 per cent of employment in the local "travel to work" catchment area by 1991 was in financial services - a total of 23,000 jobs - compared to just over 10 per cent nationally.

The region's traditionally strong employment sectors - tourist accommodation and retailing - were only performing slightly above the national average, although tourism was estimated to account for 11 per cent of employment.

The biggest increases came in the non-financial service sectors, which included many tourism-related services. At the start of the 1990s, services accounted for nearly 40 per cent of jobs, compared to about 30 per cent in the rest of the UK.

But it was service industries that were hit hard in the recession of the early 1990s, from which the conurbation has yet to fully recover.

Michael Petrie, chief executive of the Brighton and Hove Economic Development Company (BHEDCO) - a partnership between the region's private and public sectors - says that Brighton and Hove suffer from a number of "mis-perceptions".



Brighton's Royal Pavilion: a reminder of more prosperous times

One such misconception is that Brighton and Hove is a wealthy area, with low unemployment and high wages. In fact, Mr Petrie points out, unemployment is now substantially above the national average, at 12.8 per cent in January 1997. That is a big change from just four years ago, when unemployment was below the national average.

Mr David Lepper, the chairman of the Brighton Borough Council's economic development committee, says the picture is worse in the town centre. Within the Regency council ward, unemployment reached 31.4 per cent in October 1996, and 23.6 per cent in neighbouring Brunswick ward.

Yet in the outskirts of the Brighton and Hove urban area, unemployment among the economically active is as low as 4 per cent, creating a "doughnut" of prosperity around a centre of bed-sits and unemployment. The town also has a visible homeless problem.

"It is a place of some contrasts," says Mr Lepper. "There are spots of unemployment, but also a huge range of skills and talents. We are now starting to get the regeneration funding needed to get these skills involved and back into the workforce."

One of the skills the region can boast is languages. Brighton University and the University of Sussex, based in Falmer three miles outside the town, both produce large numbers of graduates in languages. Their output is augmented by more than 20 language schools and colleges in the area, which have some 30,000 visiting language students every year.

American Express, the financial services group, has based its European customer support headquarters in the area. Amex is the town's largest employer, with a workforce of more than 3,500.

Mr Jim Hobby, head of European customer services for Amex, says the region's workforce, many with European language skills, make it an ideal place to recruit staff for Amex's support operation in Europe.

"An advantage is the university population. We encourage our managers to hire employees that can help the future of American Express. We are also fortunate that we are close to many other cities and com-

panies, so it's relatively easy to recruit high quality employees," says Mr Hobby. American Express took over as the largest employer after the departure of the Alliance & Leicester building society, which is soon to take up bank status and is consolidating its headquarters in Leicester.

The gap left by the departure of Alliance & Leicester has been partially balanced by the recent decision of the Alamo car-hire chain to base its European rental reservations and communications centre in Brighton which will bring 100 new jobs. Alamo cited the availability of a multilingual workforce as an important reason for its decision.

Another growing role for Brighton and Hove is as a location for company call centres, for telephone marketing or customer accounts. A number of other large companies have located their call centres in the area, including International Factors, Legal & General, Lloyds-TSB and Seaboard, the electricity utility.

The Occupational Pensions Regulatory Authority is to base itself in Brighton after a nation-wide search for sites and will bring about 100 jobs. But as Alliance & Leicester demonstrated, it is increasingly easy to move such service industries.

Attracting jobs in manufacturing is proving to be difficult. One of the largest of the remaining manufacturers is the Japanese-owned Holsden Besson company, which makes electronic and acoustic components. It has decided to develop a site in Leighton Road, Hove, where the council is developing the Hove Technology Park.

But for other manufacturers, the lack of large sites is a problem. The council is examining redevelopment of Shoreham harbour, but the large site lacks adequate road access. Tourism accounts for about 22,000 jobs and earns £145m in annual income. There was also a record number of large conferences in 1995. Conferences alone are worth £65m and draw more than 200,000 delegates.



David Lepper: 'The picture is worse in the town centre'

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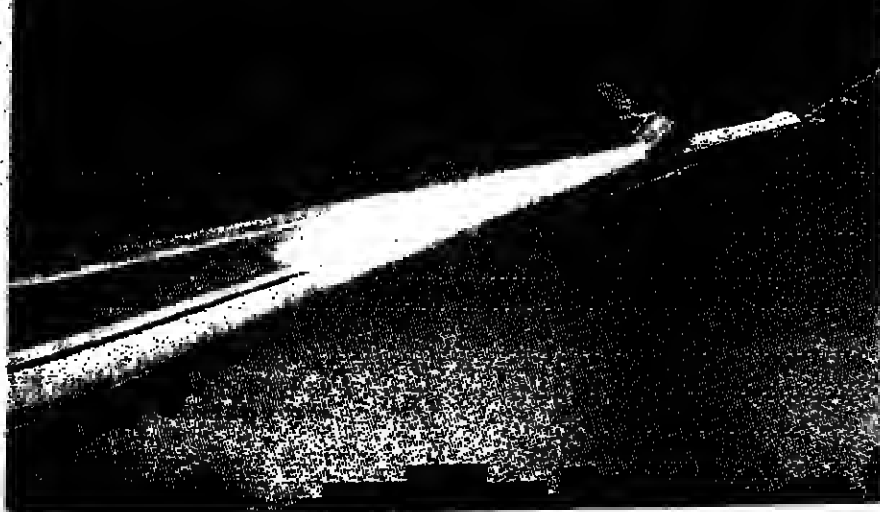
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ARTS

Cinema / Nigel Andrews

Artistic GBH to revitalise a masterpiece

The American TV anchorwoman deepens her voice, shuffles a paper and assumes her most earnest look. "Two households both alike in dignity," she intones, "in fair Verona, where we lay our scene..."

And we are off. A great play, estimated to have been written in 1595, has been coshed over the head and dragged into the 1990s. It is a clear instance of artistic GBH - the newscast is soon followed by a Capulet-Montague gun battle that climaxes in a blown-up petrol station - and as perpetrated by the director of that cultists' delight *Strictly Ballroom*, it is an unmitigated success.

The advantage of a play so strong that it does not need revamping is that it cannot suffer from revamping. The work has become the world's plaything. But it is a Rubik cube that will always return to its own shape, contort it how we may.

No one could contort it more wittily and illuminatingly than Baz Luhrmann. They called the film *William Shakespeare's Romeo and Juliet* in the States, but in reality it is Luhrmann's - and as bold an artistic transposition from one age to another as Chereu's Ring Cycle or (to conjure a closer comparison) *West Side Story*.

The movie was shot in Mexico City, where Romeo (Leonardo DiCaprio) and his friends disport on Verona Beach, where every teenager packs a gun cunningly brand-named Sword or Rapier - so that those words can still make sense in the dialogue - and where gangs collide amid the crumbling high-rise palazzi of a later golden age, Industrial Modernism.

The spoken text is Shakespeare's, but shortened and treated as movie dialogue. No one stands still to sculpt great speeches, words are delivered on the wing. Indeed Romeo's courting arias are spoken while tot-

tering on walls, falling into swimming pools or anxiously evading the Villa Capulet surveillance cameras.

Is it preposterous? Is it camp? Yes, and yes. But Luhrmann is making a specialty of bringing polymorphous perversity to the cinema. He knows that the aesthetic world is round and that the sublime and the ridiculous, if pursued with equal passion, meet on the far side of the imagination. We are in such a state of high persuasiveness from the early comical modernists that we accept willingly even avidly, the tragical modernisms.

Luhrmann transforms

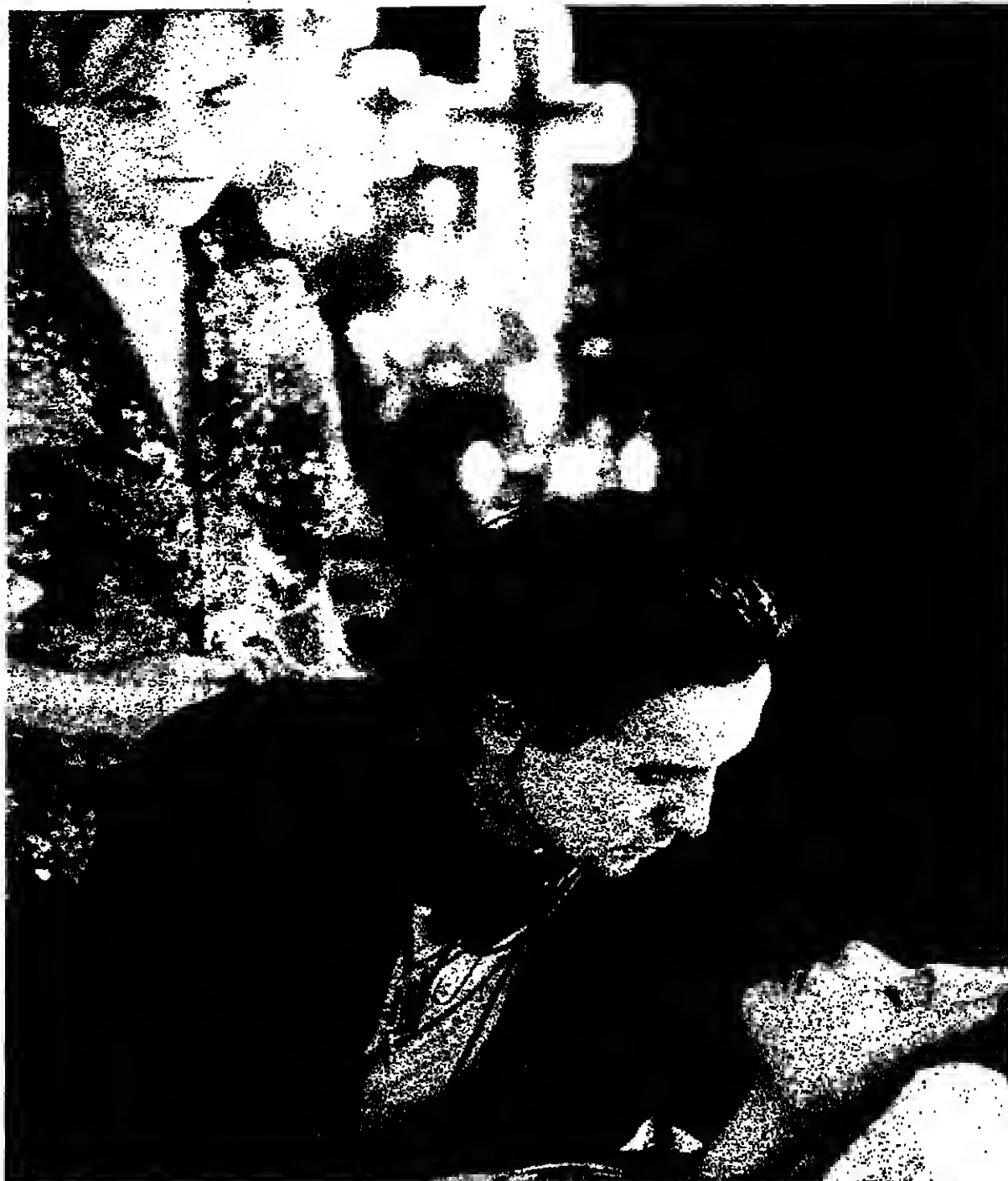
Po Valley tragedy into something cosmic, incandescent. In any other film Leonardo DiCaprio's gangling teenybopper Romeo might seem callow and hysterical. Here he glides with the slipstream towards his climactic kismet with Claire Danes's complementary Juliet, half sensual, half sensible. Best of the rest are Pete Postlethwaite's Friar Lawrence, a gurn clearly bung-over from the hippy era with his flower power domestic decor and body tattoos, and Paul Sorvino's Capulet, a Scorsese capo who would as surely get Shakespeare to write his dialogue as he would get Armani to design his clothes.

Julian Schnabel's *Basquiat* is the portrait of an artist as a young dog, where one wishes both artist and portrait showed more bite. Not often is a late-lamented black hero of the New York salons - painter Jean-Michel Basquiat, who evolved from daubing wall-graffiti to farouche but fashionable canvases - honoured with a bio-pic by a fellow artist. But rarely, alas, is not a quality guarantee.

Schnabel is good at shaking the screen into visual surprises. Here, the blue sky above Manhattan is filled with celestial surfers. There, a naturalistic scene is pixilated with snips from one of Starwicz's silent puppet movies. But between the surprises comes the sprawl. Schnabel is less gifted with matters like script, characterisation and narrative development.

An early voice-over - "The rest of art history will be retribution for Van Gogh's neglect" - warns us that the theme will be the martyrdom of genius. And Schnabel clearly considered that to be (pause) sleeping. He urges the city councillors to evacuate the town before disaster strikes.

Soon the dialogue is swept away by lava, to everyone's relief, and we are shining over Oregon trying to sur-



On the set with Leonardo DiCaprio as a teenybopper Romeo and Claire Danes, the complementary Juliet

er Hughes school) and guest cameo turns (Christopher Walken, Gary Oldman, David Bowie as Warhol).

Dante's Peak is nonsense with élan. Linda THE MINATOR Hamilton is mayor of a small town in the American north-west which is about to be volcano'd to death. The neighbouring peak, says visiting volcanologist Pierce Brosnan, is not extinct but "dormant" (he pauses) sleeping. He urges the city councillors to evacuate the town before disaster strikes.

Soon the dialogue is swept away by lava, to everyone's relief, and we are shining over Oregon trying to sur-

vive acid lakes, bubbling roads, crumbling cliffs and "pyroclastic winds". I enjoyed almost every spectacular minute, many of them computer-generated.

We are promised another Hollywood movie shortly on the same subject but *Dante's Peak* sets an effects standard that will be hard to surpass. Do Widerberg's *Love Lessons* is the first film in nine years from the Swede who brought us sex, strawberries and Mozart in *Elvira Madigan*. Here he offers sex, vodka and Handel as teenage schoolboy Stig, played by the director's son Johan, falls into the bedsheets of love-sick schoolmistress Viola

while her husband Kjell, a kindhearted drink-sodden underwearer salesman who loves classical music, turns two blind eyes and befriends the boy.

We are in Malmö, 1943, though it sometimes feels more like *Room at the Top*, 1959. Widerberg is a gifted merchant of comic asides. We cherish the hallway sign "Don't bang your hat on the elk" and the Swiss clock whose cuckoo jumps out one evening to vomit neat vodka. And when the boys are caught sweeping each other in class on "How many times does a cock go in and out during sex?" the lady teacher inspects the scrib-

bled guesses and comments drily, "Wishful thinking".

But when seriousness descends, so does melodrama followed by facile resolution. The thrown-over woman becomes a harpie. The boy grows up, almost at a stroke, by dint of a new romance with a girl his age. And Kjell - ah, he alone stays unconstructed and is all the more human and believable for it.

Larger Than Life is a comedy starring Bill Murray and an elephant, neither of whose careers will be enhanced. There are two characters and one joke, expected to fill an aching 93 minutes.

Concert
A crisp Orfeo in a week of Haydn

Life has gone quiet at the London Philharmonic. The managing directors have stopped coming and going, there is no high-profile musical director to act as a focus for criticism and the management has kept stories about its finances out of the headlines.

The orchestra's London concert season has been fairly modest, too. Over the past week it has featured a short, three-programme Haydn festival - an unusual choice for a full-size symphony orchestra, especially these days when the classical repertoire has been more or less commandeered by ensembles of period instruments.

The London Philharmonic, however, has Roger Norrington on board as associate principal guest conductor and he was no doubt the force behind this Haydn week.

There were two concerts of symphonies, all taken from the "Paris" set, which Norrington conducted himself in the Royal Festival Hall.

But the most unusual move was to include a Haydn opera, *Orfeo ed Euridice* (officially known as *L'Orfeo* and written for London in 1791). Not only that - the London Philharmonic moved into the smaller Queen Elizabeth Hall for the occasion and the conductor was not Norrington himself, but another classical specialist, Frieder Bernius.

It all worked rather well. Whatever weaknesses Haydn operas have, it is rarely that the music is dull, so a concert performance gets the strongest feature of the work to put across.

Haydn's *Orfeo* is no competition for Gluck's if one is hoping to look deep into the myth. For the Elsy Fields he proposes homely, rustic music and the chorus announces Orpheus's penalty for looking back at a janmy trot.

Kurt Streit may be the role of Orfeo realising, maybe he sang too fast, as if for a larger hall, but there was a harsh edge to the tone at the top, but everything he did brought both drama and music to life.

Christiane Debie sang sensitively, but without much energy as Euridice. Strangely, the big number goes not to her, but to Genio, sung by Claron Gaudin with a lot of pluck (even the piercing top C at the end). William Dazeley was the sterling Cereus and Nicholas Gedge a black-voiced Pluto.

Apart from a blot on Euridice's hushed death scene, the orchestra sounded well-judged in its surrogate position as a modern orchestra playing in period style, with crisp string articulation and braying brass.

Bernius was adept at pacing the score and lifting the rhythms with the right Haydn-esque buoyancy. A Haydn series will have been cheaper than Mahler symphonies too, so the London Philharmonic's bank manager should be happy.

Richard Fairman

Dance

Poetry in motion

There are few British artists today who create such theatrical poetry as Yolande Snaithe. You follow her work as if locked in a dream: you cannot believe the strange sequence whereby this follows that, you cannot comprehend how it all can make sense, and you are swept along helplessly by its topsy-turvy fluency. Peculiar, witty, unpredictable, and serious meanings keep pouring from its changing imagery.

Snaithe's work contains dance, and is usually seen in dance contexts. But though her choreography is perfectly deft, it is the least remarkable feature of her work. Her latest work - *Gorgeous Creatures* - recently at The Place - is an object-lesson in artistic ensemble, made with several of Britain's most interesting theatre artists: notably Graeme Miller as composer, and Barnaby Stone as furniture designer. The costumes, designed by Kei Ito and Suzanne Slack, are wholly brilliant in conception and marvellous in practice. Snaithe herself, in terrific form, performs with five men, all of them excellent.

Snaithe here plays Elizabeth I, the Virgin Queen; and *Gorgeous Creatures* plays with the idea of a queen and her court. At first, we see her, static and regal in a beautiful but bizarre farthingale - scarlet, with the vast hooped skirt keeping her lower body not only secret but also some 30 inches above the floor. Only her upper body, at this stage, has life. We see her plucking music from a lute; we see her whimsically surveying a visiting ambassador who smokes a pipe.

The dream begins. Her skirts part: we see that they contain an entire bench, on which four near-naked men lie curled like sleeping babes. What follows shows

the men's physicality opposed to her immobility; as handsome courtly lovers pursuing her glamorous and powerful femininity; as scheming courtiers around her reign; as supine or lifeless victims of her life-and-death decisions. The many sides of Gloriana become a hall of distorting mirrors. Everything is surreal and shuffles between the Elizabethan and the modern. Renaissance music turns into jazz. I love the whispering chorus of courtly hissyblabes that the courtiers pass around - "My illegit!" "Tis gone!" - while offstage we hear wolves howl.

Meanwhile, other aspects of the Virgin Queen also emerge: the playful innocent, the vulnerable woman, the passive tool of male institutions. She bends her head forward, and her ruff falls open into a long pleated chute, a tube into which men speak. Later, she adjusts the ruff again, and it becomes a wimple and long veil, announcing her virginity to the world. Later again, she returns to the stage like a dwarf - like one of Velasquez's *Las Meninas* - her legs and skirts halved.

Elsewhere, she removes the farthingale altogether, and moves in simple white petticoats with a freedom of which she is usually deprived by court formality. Like Virgil's Dido, we see her going alone to caress the couch where the men she has loved have lain. Finally, she is seen as a corpse; a baby brought up by clerics and scholars; a bride of the Church and of learning. *Gorgeous Creatures* is a modern contemplation of the ambiguities of bygone gender roles and power structures. It is a true work of art made and performed with an eloquence rare in the theatre.

Alastair Macaulay

Opera / William Weaver

Sarasota's heady mix

About noon the Sarasota Opera learned that the tenor scheduled to sing that evening's concert of Verdi rarities had begged off.

In another company this defection might have caused severe dismay, but Sarasota - thanks to its Studio Artists and Apprentice Artists programmes - has a reserve of fine singers ready and willing.

So Michael Hendrick sat down with a score of Verdi's *Hymn of the Nations*, and a few hours later, could perform it with clear panache. The anthem came at the end of a rich succession of arias and songs, and a handsome execution of the Verdi quartet by the first-decks of the orchestra.

Opera in this small, elegant Florida city began over 20 years ago, but really took off in 1982, when Victor deRenzi was appointed artistic director. A studious and refined musician, deRenzi is also an enthusiast, and he has communicated his passion to his performers and the public. Sarasota has gained an enviable reputa-

tion, and now opera tour organisers include its spring season in their plans.

Sarasota offers a heady mix of familiar favourites and exciting rediscoveries: this year *La bohème* and the Massenet *Manon* alternated with Humperdinck's *Königskinder* and Verdi's *Ernani* - performed uncut and (like all Sarasota productions) in the original language. Verdi is represented every year: last season deRenzi presented both versions of *La forza del destino* on alternate nights with the same cast; in 1992 he did the same for *Simon Boccanegra*.

The productions are traditional. Employing a scrupulously authentic score, deRenzi shuns stagings that might contradict, however brilliantly, the composer's intentions. But, alongside this tempting repertoire, what wins hearts in Sarasota is the casting. The operas are

sung by young artists undertaking their roles for the first time. Many singers have passed through apprenticeships, from chorists to comprimario to protagonist. And many return to Sarasota year after year, justifying deRenzi's reference to them as "the family".

deRenzi holds auditions all year round, and when the selected singers arrive in Sarasota, they are granted an unusual number of rehearsals. Thus a sense of strong, affectionate ensemble is palpable. Some performances may be a little unpolished, some of the voices may not yet possess the smooth assurance of maturity, but none is without interest and appeal.

In Sarasota's latest season, several artists merit special praise: the sweet tenor Barton Green (a Sarasota regu-

lar and audience favourite) as Des Grieux, and the equally affecting Yi Ge, who sang the King's Son in *Königskinder*; the basses Ding Gao, a formidable Silva in *Ernani*, and Peter Volpe, austere as Des Grieux père and humane as Colline; the baritone Brian Davis as Humperdinck's crucial Fiddler.

Sarasota was also fortunate in the soprano. After a perfunctory first act, Cherie Caluda sparkled as Manon. Lisa Willson was the delicate but persuasive heroine of Humperdinck's fairy tale. As Verdi's Elvira, Tamara Wright Acosta displayed genuine dramatic power, and Carol Ann Manz's Mimì brought the house down. Sarasota patrons will be wise to save their programme book: many now obscure names in it are bound to become more widely known.

While much of Sarasota's audience comes from the city's large retired community, the Opera Association is making successful efforts to expand its public. Sometimes rising at the unoperatic hour of 8am, the leading Sarasota singers visit schools to explain opera and illustrate their profession. The Association has formed a children's chorus, which demonstrated its versatility and linguistic skill in the Humperdinck and Puccini operas. A youth chorus performs throughout the year, and at a youth opera festival in the autumn, 45 singers aged under 18 present specially written works.

Next year deRenzi will celebrate his 16th season with new productions of *Faust*, *Jenafu*, *L'arlesiana* (probably the first professional production of Cilea's opera in the US) and a *Traviata* based on the critical edition of the score.

As Verdians know, the composer rewrote several arias for the version we know today; deRenzi will perform the earlier versions in a special concert.

Theatre
Off the cuff
Revue

Intimate Revue; that delightful staging of witty songs, risqué observations and peculiar banalities which flourished during the 1950s before the political satirists and smart alecs moved it out of the theatre and on to television.

It required vivacious, versatile performers and musicians, swift changes of *mise en scène*, and an elaborate set of costume changes - while making it all seem spontaneous. Which is what *Islington's King's Head Supper* achieves in its super revival of the form. *Much Revue About Nothing*.

The director, Phillip George, and his accomplished team of dramaturgs have selected a brilliant array of musical vignettes from the period, placing them in the context of current high-tech, low-satisfaction West End musical fare. Here we have the preposterous charm of a Julian Slade number, the wry politicking of a Sandy Wilson ("our status couldn't be more quo",

they sing in "True Blue Love Song"), even the modernist quirks of the late Peter Cook (including his glum "Be Happy" finale, accompanied by dead pan tap dancing).

Many oddball pieces have been unearthed from Broadway revues too. They really tickle. They are infectious. It is also surprisingly undated. Save for the contemporary fear of the atom bomb (there is a very weird number sung in eerie harmonies after a nuclear holocaust, "so we're going to the moon"), this is largely a celebration of our enduring foibles. There are suburban niceties: "You can see the people talking in a little place like Dorking... our

darling baby Arthur is a vampire". There are escapist fantasies, like the meek fellow who runs at *Speakers' Corner* and "once I've got that off my chest, it's back to Finchley West".

Intentionally designed by Roy Bell - the whole city scrolls past in Slade's "Stroll Through London", for example - and dextrously choreographed by the company, there is visual and physical wit, too. Susie Goding is on top form at the white baby grand. And Susie Blake, Cameron Blakely, Jacqueline Charlesworth and Tony Whittaker are excellent.

This "full review of revue in review" is about more than nothing. It sends up the shallowness of life, mocks the extremes of obsessions with its minutiae. Intimate Revue, from the trivial to sublime, picks at the scabs of our heartfelt anxieties.

Simon Reade

Until April 18, at the King's Head, Islington, London



(L to R) Jacqueline Charlesworth, Cameron Blakely and Susie Blake in form

JOHN 1550

COMMENT & ANALYSIS



Economic Viewpoint • Samuel Brittan

Not the economy, stupid

There has been some relative improvement in UK economic performance but this is not a sufficient basis on which to decide how to vote

Bill Clinton won the 1992 US presidential election by claiming that the economy was in a mess, basing his campaign on the vulgar but memorable slogan "It's the economy, stupid". Fortunately for him and the American people, there was no mess. The US economy was in an upswing which has now lasted six years and to which the Fed has now found it advisable to apply a slight brake.

This precedent has some application to the UK. But before going further I would remind readers of Philip Stephens' warning (March 18) that there is more to politics than economics: for example, Europe, the welfare state and the constitution. To this I would add the preservation of personal freedom and civil liberties at a time when authoritarian discipline is so much back in fashion. But there is at least some curiosity value in a dispassionate look at the economic record, even if the ability of governments to improve it is less than conventionally supposed.

Meanwhile, Conservatives are their own worst enemies in making over-the-top claims for economic success which undermine the rational case for saying there has been some improvement. Comparisons of records need to be based on far longer periods than the five years since 1992. Even ministers such as Kenneth Clarke, the chancellor, who proclaim the value of serious debate seem to have forgotten the business cycle or foolishly believe they have abolished it.

These cycles have now become quite long. The last one ran for 11 years from the bottom of the 1981 recession to the bottom of the next recession in 1992 when the UK left the Exchange Rate Mechanism.

A way to keep one's head in this minefield is to follow a historical analyst who combines top-level statisti-

cal competence with as near an approach to impartiality as humanly possible. An example is Professor Nicholas Crafts at the London School of Economics, whose findings are in a paper for the Social Market Foundation, *Britain's Relative Economic Decline, 1870-1995*.

A measure of Crafts' impartiality is that his findings have been used by both sides of the debate. Peter Jay, now the BBC's Economics Editor, used them in a television programme a few years ago to demonstrate there has been no economic miracle under the Conservatives. Yet in April's *Prospect*, Crafts has had to reply to an attack by two old-fashioned interventionists for giving too much credence to Tory reforms.

As the title suggests, Crafts focuses on much longer-term matters than which political party was in power over a limited period. He is concerned with the long-standing academic debate on the UK's relative economic decline. In fact British output per head has been rising continuously in the 125 years he covers.

Any decline is only in terms of an imaginary competition with other coun-

tries that have been growing faster - often because they started from lower levels. The table reproduced here in re-arranged form shows a striking negative correlation between initial positions and subsequent growth rates.

The data carefully compiled by Crafts reach only to 1994, and, as he says, the period of Conservative rule 1979-94 is not a very good one to analyse. The final year was not a business cycle peak and the British business cycle was further advanced than that of most European countries. Anti-Conservative writers have gleefully pointed out that real gross domestic product per person has slipped lower in rank over these 15 years. The falling behind has, however, been relative to Asian countries. British, French and German growth rates have been pretty similar.

The growth performance of the East Asian Tigers has largely been due to the very rapid build-up of physical and human capital, typical of catch-up economies. Crafts does not believe a further improvement in UK growth rates can be brought about by importing Asian values or any other fashion-

able method. The best bet in his view is a very sophisticated improvement in research and development expenditure - which cannot be achieved just by bribing large companies to spend more on prestige projects. Even then any pay-off would be long-term.

Crafts finds that British growth rates have been slower since the early 1970s (under both Labour and Conservative governments) than in the golden post-war decades that went before. But the slowdown since affected all the developed countries. While the UK slipped further behind its main European partners in the golden age, the relative decline has been arrested and British growth rates are now comparable to or better than those of other major European economies.

Crafts also estimates growth in whole business sector productivity, covering capital as well as labour productivity (known technically as total factor productivity). After 1979 there was a decline in the growth of this measure in nearly all countries, but less so in the UK which ranked five out of 20 in 1979-94 compared with 12 in 1960-73.

In his one concession to the election debate, Crafts points out that this measure of productivity growth was the same in 1980-94 as in the whole 1979-89 decade, suggesting it cannot have been all due to the initial Thatcher labour shake-out. "While such a trend does not represent a miracle, given the weakness of productivity growth elsewhere, it might be enough over the medium term to end, and even slowly reverse, economic decline relative to Europe."

When it comes to reasons for the UK improvement and its sustainability, even Crafts has to move from numbers to judgment. His own is that "relative economic decline against the

European peer-group is probably less likely in the future and there may have been a modest increase in the long run growth potential of the economy since 1979." Despite continuing worries about innovation and skills, he attributes this gain to improved industrial relations and a better quality of investment.

Has a price been paid for any relative improvement in UK growth in terms of a relative or absolute squeeze in the living standards of the least well-off? Here Crafts is on less solid ground because the studies he cites all use a measure of income distribution known as the Gini coefficient, which treats all departures from complete equality as adverse. Many economists are trapped into using this measure, not because they are egalitarians but because it exists. This coefficient increased (meaning more "inequality") in the UK but remains the same as Sweden's and lower than Germany's.

One disadvantage of the economic historian's approach in looking at several decades at a time is that it hides more recent changes. This is above all true in unemployment where the adverse effects of Europe's so-called social model and the effects of more flexible UK labour markets have only recently begun to show themselves. I can only suggest to readers that they compare recent year-to-year changes in participation rates as well as jobless data and ask whether they look like a mere cyclical phenomenon.

My own conclusion is that, at the very least, the deterioration in Britain's position, relative to comparable countries, has come to an end. But in absolute performance there is still some gap compared with other European countries; and that in any case there are more important issues on which to vote or not to vote.

BOOK REVIEW

WHAT IT MEANS TO BE A LIBERTARIAN: Charles Murray

Broadway Books, New York, 178p, \$20
LIBERTARIANISM - A PRIMER: David Boaz
Free Press, New York, 314pp, \$23

A brief introduction to liberty hall

Most people in Europe are happy to classify themselves politically as conservative, liberal or social democrat. There are, admittedly, still a few hard-core socialists; but even they can find a place within the elastic boundaries of social democracy.

But outside the US few people would describe themselves as libertarians. These two books provide a helpful introduction to this political philosophy which remains poorly understood.

The first illusion it shatters is that libertarianism is an extreme form of conservatism. Some people are even under the misconception that libertarians have something in common with fascists. Nothing could be more untrue.

Libertarians are opposed to authoritarianism and paternalism in all its guises. Like many on the left they are passionate supporters of personal freedoms. They think all adults should be free to speak and act in whatever way they choose provided they do not harm others. They oppose, for example, all censorship and restraints on unorthodox sexual relations.

At the same time they are equally keen advocates of the economic freedoms that some conservatives favour. Libertarians believe taxes and government spending should be as low as possible because they hate the coercion involved in forcing individuals to support the pet projects of others. Alone among political movements, they regard themselves as consistently in favour of all aspects of individual freedom.

It comes as something of a surprise to see Mr Murray, the author of *The Bell Curve*

and other influential books on social policy, pinning his colours to the libertarian mast. He appears a little uneasy about this: in the preface he remarks that he is only a "lower-case" libertarian and still regards Edmund Burke, the great conservative thinker, as a hero. He supports government financing of education, a policy that would horrify some libertarian purists who believe this should be the responsibility of parents.

But Mr Murray is worth reading when he recycles arguments from his own books about personal responsibility and the role of government. Look at your own life, he says, and ask what has made you happiest. The chances are it will be something for which you shouldered the primary responsibility.

His utilitarian argument against big government is that it reduces the sphere within which individuals have responsibility for their own lives. It takes away the need for personal responsibility and initiative and, in so doing, reduces the sum of human happiness.

Mr Boaz has deeper roots within the libertarian movement. A mainstay of the Cato Institute, perhaps the most influential libertarian think-tank in the US, he has spent most of his adult life actively campaigning for personal freedoms and smaller government. His book provides a useful pot of history of the philosophy and gives readers numerous references to other books and authors.

While Mr Murray provides an idiosyncratic personal interpretation of libertarianism, Mr Boaz is more self-effacing. Rather than claiming to be the greatest intellectual authority on libertarian thought, he offers himself as a conduit to a

political tradition. And he works hard to show that this tradition is peculiarly American. For Boaz, the basic libertarian creed is to be found in the ringing phrases of Thomas Jefferson's Declaration of Independence.

The books will certainly appeal to those who already feel sympathetic to the libertarian cause. But I wonder if either author does enough to allay the concerns of the majority of readers who may be instinctively hostile.

It is easy to see why the rich, talented and healthy might favour a *laissez-faire* regime. But what of the majority who start out life with few material assets and only modest natural abilities? What reason do they have to vote libertarian? Why not support politicians who offer at least a little redistribution?

And what of the well-known "free rider" argument for taxation? I may be prepared to support the disadvantaged, but only on condition that everyone else does so as well. But how, short of a system of taxation, can I be certain that others will pull their weight?

There are other more technical difficulties: Mr Boaz, for example, grounds libertarianism on the assumption that people have "natural rights" to property that predate the formation of governments. But he ignores, rather than answers, the philosophical objections to such a theory.

Yet such cavils are perhaps beside the point. What popular accounts of any political philosophy have ever done properly with the objections to their creed? Mr Boaz and Mr Murray are propagandising on behalf of libertarianism. Their books provide a welcome stimulant in what is a stale political climate in Europe.

LETTERS TO THE EDITOR

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We are keen to encourage letters from readers around the world. Letters may be sent to +44 171-873 5938 (please set fax to "fax"). e-mail: letters.editor@ft.com. Published letters are also available on the FT web site, <http://www.ft.com>. Translation may be available for letters written in the main international languages.

Freedom of Internet may be unmanageable

From Professor Ipppei Wakabayashi

Sir, Joe Rogaly's article "Knowledge, freedom and a poison pill" (March 15/16) is interesting and predictive. As he indicated, the Enlightenment secured democracy and freedom, though it contained a poison pill. This pill effect means that the state became increasingly powerful, the individual ever more free to choose, while intermediate institutions came to be less significant. Finally self-control was lost.

The ultimate fruit of the Enlightenment is the Internet environment. The most

noticeable technical feature of the Internet is its two-way interactivity. Information does not flow one-way like traditional media. This two-way communication makes unimaginable freedom come true. Every user can choose what he or she wants from the enormous amount of resources available. Yet this may be an information labyrinth rather than an information resource. Who helps you when you lose your way in this kind of information labyrinth? How can you enjoy the infinite freedom?

In order to enjoy this free-

dom, we have to be able to decide for ourselves and act free from the outside authority. But this of choice created is too huge for most people to manage by themselves. Our personal ability to endure the tension to do such a difficult task is limited. Ironically, the powerful tool to liberate people from an authority-dependence syndrome seems to be producing more authority-dependence people.

We should not miss the most important point - that we have not been educated to be ready for participating in the two-way Cyberspace

environment. Today's children will experience tomorrow's matured Internet on an everyday basis. When children lose their way in Cyberspace, parents should be the most familiar consultants or partners there as well as in the real world. Parents should not be just earnest consumers in the "education industry".

Ipppei Wakabayashi, faculty of international studies, Bunkyo University, 1100 Nishigaya, Chitose, Kanagawa 253, Japan

More than psychology in buy-backs

From Mr Graeme Rankine

Sir, In your article on stock splits and share buy-backs ("Philip Morris in \$2bn share buy-back", February 27) you quote an analyst as saying that "The positive impact of a share price split is largely psychological".

There is evidence that contradicts this assertion. I co-authored a study recently published in the *Journal of Financial and Quantitative Analysis* showing that a sample of 1,275 two-for-one

stock splits from 1975-1990 outperformed a benchmark portfolio by about 8 per cent in the first year and 12 per cent in the first three years. These returns are on top of returns of about 3.5 per cent in the five days surrounding the split announcement.

The evidence suggests that managers consider the future prospects for the company before making the decision to split. Companies that go ahead with the split con-

vey their confidence in its future performance and the market interprets this as good news. The evidence indicates that stock splits are not just a psychological phenomenon but a corporate event that conveys "real" information.

Graeme Rankine, American Graduate School of International Management, 16249 N 99th Ave, Glendale, Arizona 85306, US

Maastricht being used as a scapegoat

From Dr Konstantinos Karachalios

Sir, As a citizen of Europe and supporter of its cultural, economic and political unification project, I feel quite embarrassed to see how politicians use the European Union as a scapegoat for their failures on national level.

The latest, and perhaps

most severe, example is the German finance minister who recently announced he intends to cut social aid as a contribution to achieving the Maastricht criteria.

Whereas the gain from such a measure might be negligible, its impact on public opinion is quite devastating. Should we conceive the project of economic and

monetary union as a neo-Darwinist selection process, where the weakest and poorest are forced to simply fade away?

If so, I propose a new word to describe this approach: euro-thanasia.

Konstantinos Karachalios, Ortleibgasse 2/24, A-1170 Vienna, Austria

Unemployment, not EU, was the target

From Mr Glyn Ford MEP

Mr Clive Needle MEP and Mr David Thomas MEP

Sir, It was wrong to describe the demonstration in Brussels to protest at Renault's decision to close the Vilvoorde plant with the loss of 3,100 jobs as anti-EU ("Over 40,000 marching

workers unite in anger against EU", March 17). The protesters' anger was directed at the failure to protect the interests of ordinary citizens while creating the single market.

If EU officials have anything to fear it is that many Europeans are not

prepared to accept a Europe that consigns 18m to unemployment.

Glyn Ford, Clive Needle, David Thomas, European Parliament, 97-113 Rue Belliard, 1040 Brussels, Belgium

Exceptions to the rule

From Mr Anant Sudaram

Sir, In his review of *Breakup* Tony Jackson makes the assertion that Mr Warren Buffett is the "single most powerful rebuttal" to efficient markets theory ("Simple divisions", March 21). Not necessarily.

When Mr Buffett makes an investment, he changes investor perceptions, and thus affects prices. The price move simply becomes a self-fulfilling prophecy.

More importantly, not every investor has the luxury of ownership and control. Given the size of Buffett's positions, he has the ability to control corporate outcomes to suit his shareholder preferences (for example, fire the CEO or change the management, as he did with Salomon).

Most importantly, in a world in which there are hundreds of millions of investors, it is not surprising that one or two of them are consistently lucky and outperform the market. In a statistical sense, in any population with so many data points, there will always be a couple of outliers that are truly outliers.

Anant Sudaram, 6259 W. Mansfield Drive, Glendale, AZ 85045, US



GIORGIO ARMANI
LE COLLEZIONI

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FINANCIAL TIMES

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Thursday March 27 1997

A trade with the unions

New Labour has paid its debt to organised labour, but the price might be higher than the party thinks.

Britain's trade unions have persuaded party leaders that if they win the election, they will require employers to recognise a trade union for bargaining purposes. If a majority of the relevant group of workers votes for recognition.

This would not improve Britain's prosperity. Nor would it do much for labour relations. The provisions for union recognition introduced by the last Labour government in 1975 had little practical effect, either on union membership or on bargaining patterns, before they were repealed five years later.

It may be argued that workers who would like a union to speak for them should be given some protection against an employer who simply refuses to listen to their negotiator. In such cases, it will be said, a legal right to recognition would be a fair balance against the powerful restrictions now placed upon union activities.

This argument seems plausible, as far as it goes. Unfortunately it soon becomes mired in detail, as was shown this week by the confusion on Labour's front bench about how disputes would be settled. This is not a trivial matter. Any law on union recognition will generate disputes not only with employers, but between unions.

So, if such a law is to work effectively, it must provide clear answers to three questions. First: if recognition depends on a ballot of workers, which group should be eligible to vote? All in one company, in one site, or in one division? Draftsmen along with dishwashers, or each separately? Such distinctions go to the heart of Britain's past labour troubles.

Second: how many members must a union have gained before it can ask for a ballot? Employers may rightly object if an upstart union were to use the ballot as a lever to gain members. Third: where rival unions are competing for power, who will decide which should be allowed to ballot? Would this compromise the rights of workers to choose a union?

The Labour party has not yet shown that it knows the answers to these complex questions. Even if it finds them, there is a further difficulty: who should resolve the inevitable disputes, and could an arbitrator command the respect of both sides? The conciliation service, Acas, which might seem the obvious body, has not shown any enthusiasm for the job. The reason is not hard to find: Labour's proposal will do little good. If poorly implemented, it might do considerable harm by reviving some of the rancour and demarcation disputes from which the UK labour market has been largely emancipated in the last 18 years.

Voo-don't

Once a bad idea has been planted in the minds of policy-makers it can take a very long time to uproot it. This makes one aspect of the ongoing budget negotiations between the US Congress and the White House worth celebrating. As usual, the options for balancing the budget proposed by each side range from the sensible to the deceptive. But at least neither side seriously suggests that cutting taxes will actually make the deficit even lower.

It was back in the late 1970s that a young conservative economist, Arthur Laffer, started drawing pictures of his eponymous "tax curve" on napkins and a presidential candidate, Ronald Reagan, decided he would try it out in practice. The attractions of the curve were obvious: it said politicians could have more cake and eat it, because cutting taxes would reduce public borrowing and spur growth at the same time.

Mr Bob Dole's failure to excite the voters with a Lafferian plan for cutting taxes in last year's presidential elections suggested that the public is no longer willing to buy such nonsense. And to judge by the latest twist in the budget talks, politicians at both ends of Pennsylvania Avenue have taken this lesson to heart.

Mr Newt Gingrich, the House Speaker, enraged many Republicans in Congress last week by

suggesting they might agree a plan to balance the budget, before delivering on the \$145bn in tax cuts they promised voters last year. But President Clinton has cautiously welcomed the idea. This suggests that the budget-balancing and tax-cutting aspects of this year's negotiations may end up proceeding along separate tracks.

This does not mean that Republicans have stopped wanting tax cuts. Indeed, a majority is unlikely to sign up to any balanced budget medicine without a guarantee of tax-cut jam to follow. But treating tax cuts separately would at least make clear the trade-offs involved, since any reductions in taxes would have to be matched by spending cuts for the balanced budget plan to remain intact.

The spirit of the supply-siders lives on in the Republicans' determination to achieve tax cuts of some kind before the year is out. Before the revolution, Republicans were the party of fiscal prudence, remembered for increasing taxes if budget balance required it, even in the midst of the Great Depression.

The 1980s changed that for good. Both parties now feel obliged to cut taxes, even at the risk of overheating the economy and further distorting spending patterns. At least, though, they no longer pretend that such cuts will pay for themselves.

Rough straits

Dr Mahathir Mohamad, Malaysia's prime minister, was abroad yesterday when his government suspended fresh bilateral dealings with Singapore. But the move reflects the unmistakable style of a man known for his penchant for histrionics, most notably in the affair of the Pergau dam.

Since Singapore is just a small island at Malaysia's tip, the outside world might feel tempted to sit back and enjoy watching the sparks fly. But care is called for on both sides: sparks can cause blazes.

The flames would not need fanning much to undermine stability in a region which is one of the high points of Asia's economic success. That would raise broader strategic concerns because of the importance of the shipping lanes through the Malacca Strait.

The immediate reason for the dispute is a set of disparaging remarks by Mr Lee Kuan Yew, Singapore's senior minister, about crime in Malaysia's southern state of Johor. That the affair ripples despite an abject apology reflects deep-seated suspicion between ethnic Malays who dominate Malaysia and the Chinese majority in Singapore.

Singapore indeed owes its existence as an independent state to the fact that it was thrown out of the Malayan federation in 1965. Since then the

two countries have co-existed uneasily. All sides know that racial tensions lurk below the surface. Recent racially-inspired riots directed against the Chinese minority in Indonesia make this a regional concern.

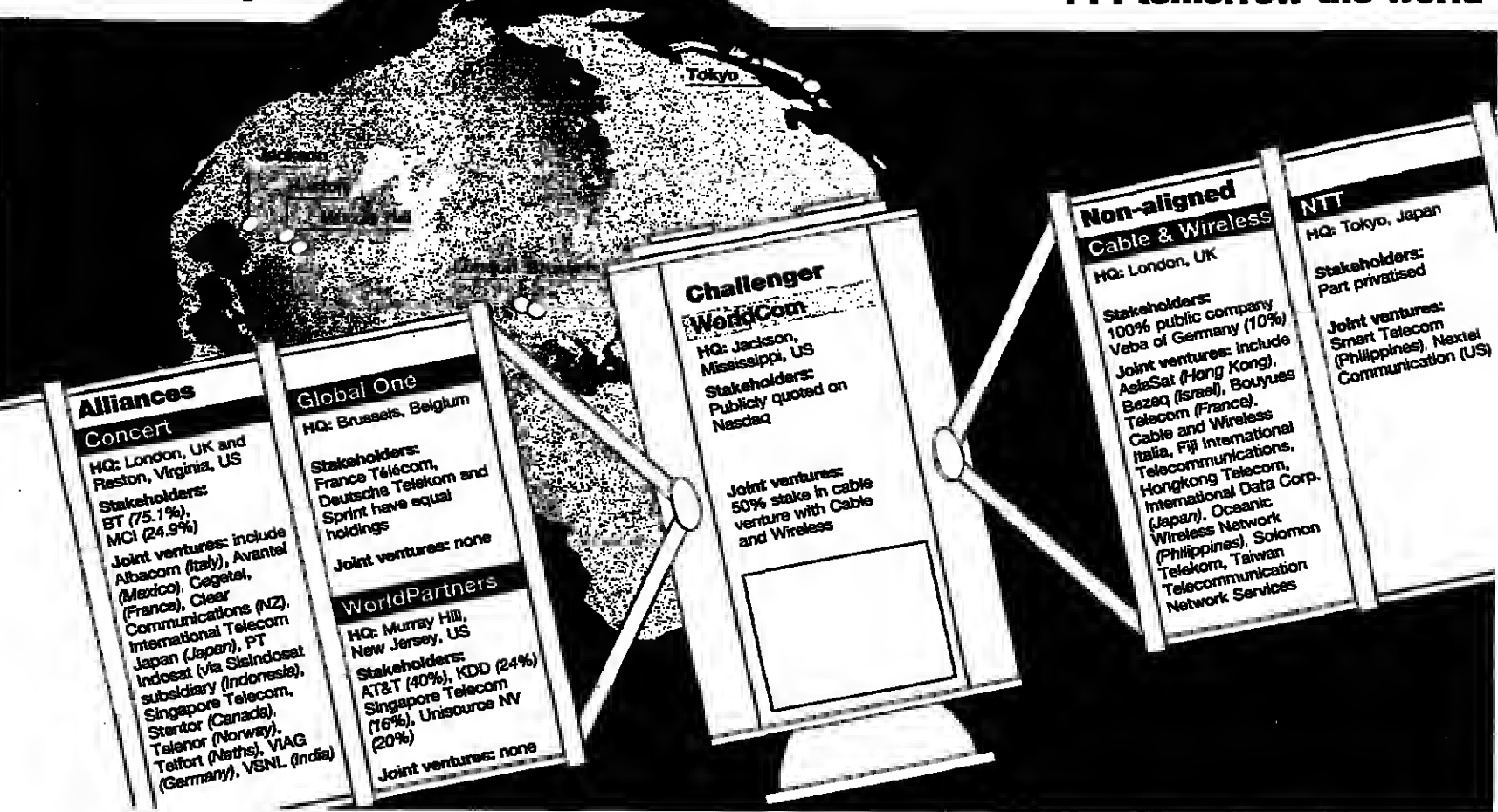
Mr Lee's remarks, in what was supposed to be a confidential court affidavit, were so insulting as to be absurd. Had similar statements been made publicly by a foreigner about Singapore, some in that litigious society might have felt tempted to sue for libel.

Statesmanship suggests, though, that Dr Mahathir ought to be able to ride above such a storm. Instead he appears to have done little or nothing to restrain the youth wing of his party from seeking reprisals.

Perhaps the motive was to prise concessions on projects Malaysia is pushing. This might then go down as another occasion when Dr Mahathir has used tantrums to useful effect. His unpredictable outbursts have secured him a profile that far outweighs the importance of a country of just 20m people.

Closer to home the price may be steep. It is not only the grave risks inherent in open confrontation with neighbours. Malaysia itself will be divided if its sizeable Chinese minority is alienated as a result. Asian values call for calm and consensus. It is time they were applied.

Alliance today . . .



. . . tomorrow the world

Everybody is talking

Alliances are being welded and broken almost daily as global telecommunications groups jostle for position, says Alan Cane

Mr Michel Bon, France Telecom's general chairman, sighs reflectively: "Every week another investment banker comes to me with a grand design. All their ideas have intelligence. Making them work is another story."

Mr Bon is referring to the rash of strategic global alliances involving the world's telecommunications operators as they head into a future in which the only certainties are increased competition, growing pressure on revenues and sustained technological change.

It is difficult for those outside the industry to comprehend what is happening - and not much easier for insiders. Companies create and terminate partnerships with bewildering frequency, egged on by investment bankers keen to win fees for masterminding ever smarter deals.

Hugely complex charts, illustrating the alliances, partnerships, trading relationships and distributorships formed by the world's operators, have to be updated almost daily.

"My God, what a promiscuous industry this is!" the newly appointed non-executive director of one big operator exclaimed in disbelief after his first board meeting.

Three principal groupings are emerging: Concert, an alliance between British Telecom, France Telecom and MCI of the US; Global One, a joint venture between Deutsche Telekom, France Telecom and Sprint, the US long-distance operator; and WorldPartners, a co-operative partnership led by AT&T, the largest US carrier, which includes Unisource, an alliance of smaller European operators.

Some operators remain non-aligned - principally NTT of Japan and Cable and Wireless, a UK-based operator with extensive international interests. Both believe themselves big enough to take on a global role without joining an existing alliance.

New challengers are emerging, such as WorldCom of the US - small compared with the big carriers but fleet of foot and combining long-distance transmission, local presence and Internet access, which are reckoned to be the vital assets for success.

But the telecoms world continues to be dominated by a ceaseless round of alliance-building - and some brutal divorces.

In the past two weeks it has become clear that both Deutsche Telekom and France Telecom are keen to form a relationship with Cable and Wireless. The move would give Global One a foothold in the important UK market and the Asia-Pacific region, where C&W is the majority shareholder in Hongkong Telecom.

At the same time, Telefonica of Spain may be prepared to pull out of its 25 per cent stakeholding in Unisource, with a view to forming a new alliance with Concert. Telefonica, the dominant operator in South America through stakes in a number of national carriers, has been seeking a US partner to exploit the valuable telecoms routes between North and South America.

Telefonica is already linked to AT&T through Unisource, but Mr Juan Villalonga, Telefonica's extrovert chairman, illustrated the fragility of some alliances when he noted: "AT&T is a very important girlfriend for Telefonica, but it is not a marriage."

The only certainty, as public relations managers for the operators repeat, is that "in this industry, everybody talks to everybody else all the time".

History dictates it should be so. The telecoms industry has traditionally operated through co-operation rather than competition, through price-setting rather than price rivalry. For the greater part of the industry's history, operators have been state-owned national monopolies, enjoying monopoly profits and free to operate the notorious "international accounting system" - the cartel through which operators charged their customers inflated prices for delivering international calls.

Now the topology of the industry is being fundamentally reshaped. The old correspondent system for the provision of cross-border telecoms traffic is gradually being supplanted by interconnect agreements - formal published tariffs for delivering calls. Co-operation between telecoms operators is being replaced by strategic alliances in the form of competing global groupings.

"Non-cooperative walls are already forming between telecoms operators belonging to different alliances," according to Mr Tim Hills and Mr Graham Johnson, senior consultants with Analysys, an international group which advises governments on telecoms strategy.

"This process will continue and strengthen, leading to the partial capture of operators by separate alliance blocks. The search for alliance partners will become increasingly strategic as the alliances strive to extend their geographic coverage."

An extended period of uncertainty and convulsion to be expected as operators compare the benefits of one alliance with another. "The evolution of the modern telecommunications business is still in its infancy," says Mr Richard Brown, chief executive of Cable and Wireless. "What we are seeing today is the beginning rather than the end. The fun is only just beginning."

The catalyst for this shift from co-operation to competition is the slow but certain liberalisation of the world's telecoms markets. Only about 20 per cent can be considered truly open - they include the US, the UK and, among the smaller nations, Sweden and New Zealand.

Over the next decade, however, the majority of countries will open their market to full competition, under an agreement involving about 70 countries, negotiated earlier this year through the World Trade Organisation. Foreign operators will be able to tackle incumbents on their own territory and take substantial or complete equity stakes in local operators.

The evidence from countries such as the UK, where markets have been liberalised for some years, is that competition drives down prices and increases traffic. Individual operators find their profits squeezed and are forced to seek new products and new markets to sustain revenues.

Most observers believe there will be a hierarchy of operators in future: a small number of large alliances, some independent operators which are large enough to maintain a global presence without partners; and a number of small operators which secure their future in niche markets.

Among the large companies, however, the successful operators will be those capable of operating both globally and locally. Today's global alliances have been established to serve the needs of large, international customers looking for seamless services across the globe, a single point of billing and the cost-benefits of advanced technology. Virtual private networks, for example, provide the benefits of expensive leased lines for the cost of conventional telephone calls.

Lucrative though the business of the big multinationals is, it will not be enough. Neither Concert nor Global One is profitable or likely to be for some time. Both claim extensive customer lists, but few of their customers believe they are providing a truly global service.

The bigger customers are only a small part of a worldwide telecoms market valued at about \$700bn this year and likely to exceed \$1,000bn by 2000. Concert, Global One and WorldPartners will have to turn to smaller businesses and individual personal customers to create a profitable and sustainable business.

Mr Hills and Mr Graham of Analysys, the consultancy, say the emergence of Concert, Global One and WorldPartners marks the end of the first phase of the revolution: "The second phase of the alignment is under way as global operators seek joint ventures and partnerships with local companies to gain access to national markets worldwide."

This explains why other operators are attracted to Cable and Wireless, with its broad but seemingly haphazard local partnerships, and to Telefonica, other companies that could prove attractive to alliances as they jockey for position may include the internationally spread mobile operators, Airtouch of the US and Vodafone of the UK.

Mr Andrew Harrington, chief telecoms analyst with Salomon Brothers, leaves little doubt that the industry is set for extended instability: "This striving for global presence should result in significant changes of ownership of telecoms assets as the three global carriers, Concert, Global One and WorldPartners, expand geographically."

Volume trade

With all the fuss about the planned flotation of US Internet bookseller Amazon.com, it's easy to forget that the British got there first: the Oxford-based Internet Bookshop made its debut on London's Olex share market last week. And it's so far so good for the company headed by 32-year-old former computer prodigy Darryl Mattocks. Shares in the listed company - called bookshop.co.uk - have been trading at about £2, or double the price at which stock was placed to raise £1m.

Despite being first to the stock market, though, the company admits that, in the book trade, it lags in second place behind Amazon. The Internet Bookshop offers a mere 900,000 titles compared to 2.5m by its US rival. But, with orders growing at nearly 20 per cent a month in the run-up to the Easter, the plot could thicken.

Fine art

Suez and Lyonnaise des Eaux, two of France's corporate giants, are playing coy about the marriage which everyone expects but no one will confirm. But anyone still looking for clues should have attended Tuesday evening's private view of the "Paris-Brussels" art exhibition at the Grand Palais in the French capital.

The invitations were issued by Suez, the show's main sponsor, but who should turn up but top executives from Lyonnaise, investment bankers advising on

the deal, and a sprinkling of important shareholders including Belgian financier Albert Frère.

As the guests drifted towards their cocktails at the end of the show, they moved without noticing through two rooms of an adjacent exhibition - "Angkor and 10 centuries of Khmer art", sponsored by none other than Lyonnaise des Eaux.

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Financial Times

100 years ago

The Cuban Budget
The Cuban Budget for the next fiscal year is by no means promising. When people are employed in cutting each other's throats, it is impossible to attend to such minor matters as taxes. The Havana correspondent of The Times considers that \$15,000,000 of revenue will be nearer the mark than the \$30,000,000 estimated.

Avoid This Hotel
It is stated that an attempt will shortly be made to sell the Grand Hotel, Monte Carlo, to an English company. The hotel has had a good reputation, and was at one time a leading hotel, but at present the management is worse than bad, and the hotel is deserted by English visitors. English investors should, therefore, give a wide berth to this promotion.

50 years ago

German Assets In Portugal
Agreement on the future of German assets in Portugal is believed to be imminent after nine months' negotiations between a commission representing British, American and French interests and the Portuguese authorities. An official announcement is expected next month.

Malaysia's rift with Singapore deepens

 By James Kynge
in Kuala Lumpur

Malaysia is to suspend the awarding of new contracts to Singaporean companies as relations between the two south-east Asian neighbours plunged to their lowest point in more than 30 years.

The Malaysian announcement yesterday followed derogatory remarks by Mr Lee Kuan Yew, Singapore's senior minister, made public earlier this month.

According to Bernama, Malaysia's state-controlled news agency, diplomatic relations will be maintained but there will be no new bilateral contacts between governments nor meetings between members of the ruling political parties.

The development is the most serious falling out between the two countries since Malaysia ejected Singapore from a two-year union in 1965.

Mr Lee, the founding father of Singapore and still a powerful cabinet figure, described the southern Malaysian state

of Johor, which borders Singapore, as "notorious for shootings, muggings and car-jackings". He later apologised unreservedly, and Malaysia's cabinet accepted his gesture.

However, Bernama reported that an unnamed Malaysian minister said as he left a cabinet meeting yesterday that Kuala Lumpur wanted ties cooled on "anything to do with Singapore". There was no formal announcement, but such Bernama reports are invariably officially sanctioned.

The suspension echoes a ban that Malaysia slapped on new contracts for British companies in 1994, after a UK newspaper alleged a British company had tried to offer bribes to Dr Mahathir Mohamad, Malaysia's prime minister.

Financial market analysts said they expected Malaysia's move would depress sentiment on Singapore's stock exchange today and would make for turbulent trade in the Singaporean dollar. Analysts said, however, that there were few Singaporean companies which stood to lose from the develop-

ment because few, if any, appeared to be in line to win Malaysian government contracts.

Nevertheless, the vague nature of Malaysia's statement may unsettle the financial community because it leaves many questions unanswered. One key issue is whether Malaysia would consider limiting the crucial fresh water it supplies to its neighbour.

Despite the acceptance of Mr Lee's apology, Malaysia's press - which has close government links - has been fuming over what it regards as insufficient contrition shown by other members of the island's government, especially Mr Goh Chok Tong, prime minister, and Mr S. Jayakumar, foreign minister.

If the animosity lingers, there is much at stake for both sides. Singapore is Malaysia's largest foreign investor and Malaysia is Singapore's second highest trading partner after the US.

Editorial Comment, Page 17

Blow to German hopes on reconciliation with Turkey

By John Berham in Ankara

Mr Klaus Kinkel, Germany's foreign minister, yesterday failed to make headway in attempts to repair deteriorating ties between Bonn and Ankara at the start of a two-day visit to Turkey.

Mr Kinkel said Germany accepted that Turkey was a part of Europe but warned against expecting rapid membership of the European Union, citing the country's human rights record and economic problems.

Mr Kinkel decided to visit Turkey to try to improve relations after conservative European leaders, including German chancellor Helmut Kohl, this month said Turkey was "not acceptable" as a member of the EU. Membership is the centrepiece of Turkish foreign policy and Ankara is lobbying hard to join the 11 mainly eastern European countries that the European Commission lists as potential members.

Mr Kinkel's visit started

going wrong even before he arrived in Ankara. He delayed his departure on Tuesday night after Mr Necmettin Erbakan, Turkey's Islamist prime minister, said European leaders should "how their heads when they talk with Turkey". He added: "Nobody can give Turkey the 'do this, do that' treatment. The new world leader Turkey will receive the respect and treatment which it deserves."

Mr Kinkel said in Ankara: "I do not intend to apologise and hang my head in shame. If your prime minister's statements had not been denied, I would not think of coming to Turkey." However, before seeing Mr Kinkel, Mr Erbakan said: "We have been saying this for a long time."

The worsening relations between Turkey and the EU and its most important member are also alarming the US, which is pushing hard for Ankara to be accepted into European organisations and stem the rise of Islamists in

the officially secular state. Ankara officials say its customs union with the EU strengthens Turkey's eligibility, as does its membership of Nato. Officials warn Ankara could veto Nato enlargement this summer, scrap the customs union and annex northern Cyprus if denied EU membership.

However, Mr Kinkel said yesterday: "Turkey is a very important member of Nato. Turkey's strategic importance gives it responsibility and Turkey should show this responsibility over Nato's enlargement." He added: "Turkey has serious problems with the EU. Turkey's EU membership will not come in the near future because of human rights problems, the Kurdish problem, problems with Greece and economic problems."

Mrs Tansu Ciller, foreign minister and deputy prime minister, responded: "There is no Kurdish problem in Turkey. All of our citizens are first class citizens."

S Africa sells 30% of Telkom in \$1.25bn deal

By Roger Matthews and Mark Ashurst in Johannesburg

The South African government yesterday completed the R5.58bn (\$1.25bn) sale of a 30 per cent stake in Telkom, the state monopoly supplier of fixed line services, to a consortium formed by SBC International of the US and Telkom Malaysia.

The deal is the biggest partial privatisation in sub-Saharan Africa and represents the largest single foreign fixed investment in South Africa since the African National Congress came to power in 1994.

The sale provides the first fruit of the government's programme to restructure the state sector and should be of political benefit to the ANC by speeding up the delivery of basic services to the black majority.

Mr Thabo Mbeki, deputy president, countered trade union opposition to privatisation, saying the deal would create 50,000 jobs in the telecommunications sector alone.

Following yesterday's sale, which values Telkom at R18.57bn, the company is committed to capital expenditure of R53bn over the next five years, almost doubling the size of its current programme. It aims to deliver 2.7m lines over the period and to install 120,000 pay phones. It will replace 1.25m analogue lines with digital lines.

Telkom has been guaranteed a five-year period of exclusivity which could be extended by a year if the newly constituted company achieves 90 per cent of its performance targets at the end of the fourth year.

Mr Jay Naidoo, minister of posts and telecommunications, said South Africa aimed to become the African hub of global telecommunication traffic, and this had been reflected in both the selection of the consortium and the price achieved.

SBC will own 18 per cent of Telkom, and Telkom Malaysia 12 per cent. The consortium will appoint five directors and the government 10.

See Lex

Everybody is talking, Page 17

THE LEX COLUMN

Daimler delivers

After Krupp's aborted bid for Thyssen and disappointments at Hoechst and Siemens, investors should take heart that at least one German restructuring story is still on the straight and narrow. The D32.4bn (\$1.42bn) of operating profit announced by Daimler-Benz for 1996 was around 20 per cent above expectations and the group is once more paying a dividend.

The figures have been flattered by a stronger dollar and the release of currency and restructuring provisions, which yesterday's preliminary figures failed to detail. But Daimler is reaping the benefits of the big rationalisation of the past two years as well as another strong performance by Mercedes cars. And, despite progress to date, there is still huge potential for improvement. Daimler's return on capital was barely 5 per cent last year and Mr Jürgen Schrempf, its chairman, claims he will raise that to 12 per cent by 1998 - implying operating profits of DM6bn. Just reaching break-even in aerospace, European trucks and micro-electronics should get the group most of the way there. On top of that, Mercedes plans nearly to double volumes to 1.1m cars over the next three years as it cranks up production of smaller models such as the A-class.

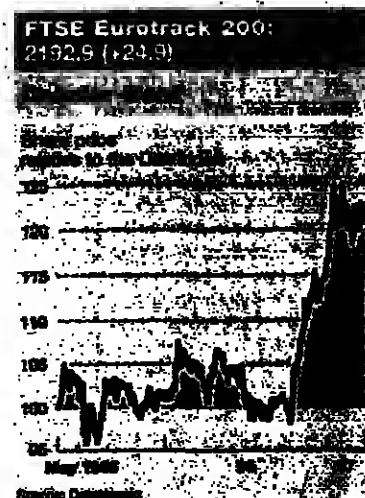
The share price, which has more than doubled since Mr Schrempf took over the reins in May 1985, now looks expensively rated. But given the scope for more positive surprises, Daimler is still worth backing.

Stars/teams

Whenever an investment bank ships these days, there is much hand-wringing about how the so-called star culture is perverting the industry. Look at Barings' Mr Nick Leeson or Deutsche Morgan Grenfell's Mr Nicola Horlick. The individual circumstances in each case are very different, but the common element, the anti-star brigade allege, is that each was a star. And what is their remedy? Abolish stars and bring in teams.

There is much nonsense in this thinking. True, investment banks - and other organisations - sometimes suffer from giving their heavy hitters excessive leeway. And the heavy hitters can easily have an exaggerated sense of their own importance. But the notion that individualism should be squashed is a recipe for mediocrity.

Moreover, the supposed dichot-



the new regulatory regime for Telkom, which gives the company a powerful incentive to deliver on its investment targets. But the deal also has symbolic significance. South Africa's trade unions are none too keen on privatisation, and the links between the unions and the ruling African National Congress are strong. The fact that the government has cheerfully pushed this transaction through suggests the prospect of future privatisations needs to be taken seriously. That should not just provide some intriguing opportunities for foreign investors - it is also a tonic South Africa's economy needs.

Red chips

Hong Kong's red chips, or Chinese-controlled Hong Kong companies, are red hot again. Citic Enterprises' shares leapt 317 per cent on their first day of trading, and red chips have out-performed the stock market by around 60 per cent in the past year. With Hong Kong's reversion to Chinese sovereignty just three months away, investors are betting that these companies become the equivalent of the old British trading groups like Jardine Matheson. Red chips now have a market capitalisation of over US\$20bn.

If one assumes they would trade at a market average price-earnings ratio without their China connections - arguably they should be at a discount, given the quality of management - connections are being valued at more than US\$11bn. This seems absurdly generous. In 1993, Chinese car manufacturer Denway attracted US\$400m from would-be investors in a small share offering. Four years on, its shares are half the offer price. The stock market is littered with the corpses of poorly managed China plays. Moreover, the supply of new red chip shares is growing at a fantastic pace.

Large goodwill premiums may be justified if an influential Chinese parent is likely to inject under-priced assets in exchange for over-priced shares in its listed subsidiary, as happened with Citic Pacific. And companies like China Resources have attractive assets, good connections and a strong incentive to succeed in Hong Kong. But the latest rally has treated all red chips equally. And blindness causes accidents.

See additional Lex comment on Stars, Page 25

Daimler-Benz back in black

Continued from Page 1

the biggest loss in German corporate history, and to the writing back of provisions for future taxes.

Results in 1996 were hit by extraordinary charges connected with the group's restructuring, which involved

the disposal of loss-making businesses, job losses and a streamlining of management.

Analysts attributed the improvement in Daimler's 1996 results to favourable exchange rates and a strong contribution from Mercedes-Benz, which accounts for about three-quarters of group sales.

Italian parties back mini-budget

Continued from Page 1

at a meeting with the government it failed to obtain any concessions. Mr Giulio Tremonti, the finance expert of the right-wing opposition, attacked the move as a "tax on productivity and jobs which will create unemployment" and dismissed other measures

as "accountancy tricks". Many details remained to be finalised, but only a third of the package will come from spending cuts.

Mr Carlo Azeglio Ciampi, the treasury minister, meanwhile rejected calls made earlier this week for a delay in the implementation of European economic and monetary union.

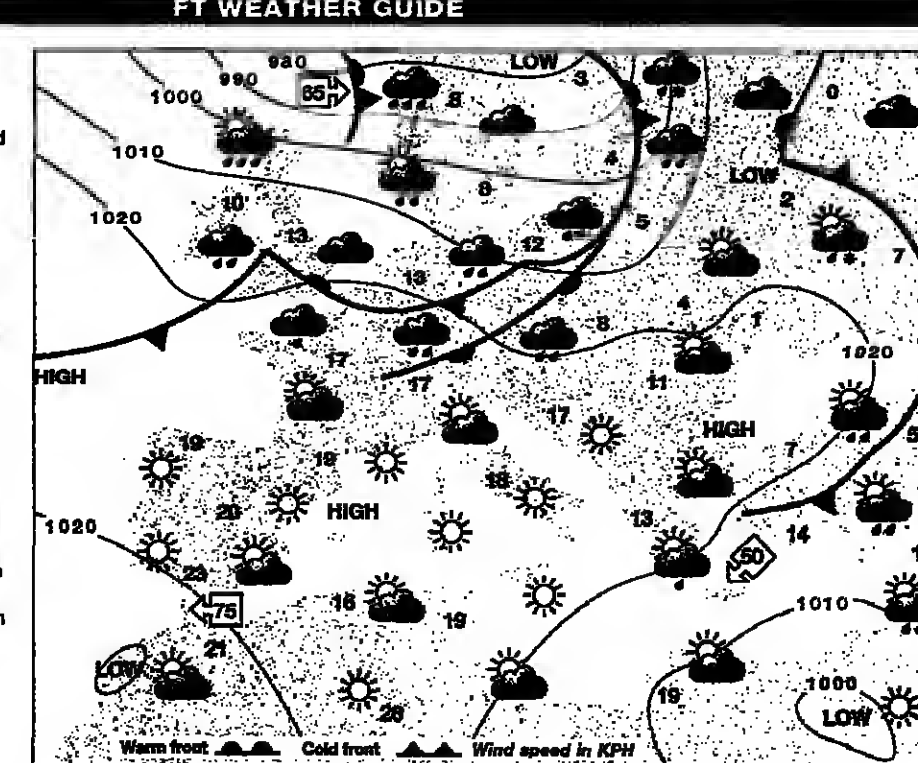
FT WEATHER GUIDE

Europe today

The UK and the Benelux will be windy and cloudy. Ireland, England and Belgium will have rainy periods. Patches of rain will also occur in northern France but southern France, the Iberian peninsula, Italy and the Balkans will have plenty of sun. North of the Alps, cloud and rain is expected in Germany, the Czech Republic, Poland, the Baltic states and most of Scandinavia. South-eastern Europe will have cloudy periods and eastern Greece and the eastern Mediterranean may have showers.

Five-day forecast

The UK and north-western Europe will continue unsettled tomorrow. During the weekend, high pressure will produce dry and calm conditions. Southern France, Spain and Italy will be sunny and dry but south-eastern Europe will turn changeable.



Warm front, Cold front, Wind speed in KPH

TODAY'S TEMPERATURES

Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

Abu Dhabi	sun 26	Beijing	fair 17	Casaca	fair 22	Faro	sun 20	Madrid	sun 20	Pangoon	sun 37
Accra	thund 31	Belfast	show 11	Cardiff	fair 14	Frankfurt	rain 18	Manila	fair 19	Reykjavik	cloudy 0
Algiers	show 17	Cebu	sun 26	Genova	rain 13	Malta	fair 18	Memphis	fair 19	Rio	fair 23
Amsterdam	show 12	Hong Kong	fair 23	Osaka	rain 15	Monterrey	show 10	San Francisco	show 23	Sao Paulo	cloudy 18
Athens	fair 12	London	thund 22	Paris	rain 12	Shanghai	rain 12	Singapore <td>thund 33</td> <td>Sydney</td> <td>fair 14</td>	thund 33	Sydney	fair 14
Bahia	sun 24	Barcelona	show 14	Seoul	sun 32	Singapore	thund 33	Stockholm	cloudy 8	Taipei	fair 20
Bangkok	show 38	Calcutta	cloudy 11	Tokyo	rain 14	Toronto	fair 18	Wellington	rain 11	Winnipeg	show 2
Buenos Aires	show 18	Cairo	fair 24	Yokohama	rain 11	Zurich	fair 15				

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Meriden Hotel, 250 Franklin Street
- London - Tuesday 22 April at 6.15 pm**
London Business School, Sussex Place, NW1
- London - Wednesday 21 May at 6.15 pm**
London Business School, Sussex Place, NW1
- London - Thursday 19 June at 6.15 pm**
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FT 27097

COMPANIES AND FINANCE: THE AMERICAS

Further consolidation in prospect as US insurer 'explores options' for American States

Lincoln National mulls \$2bn sale of unit

By Richard Waters
in New York

Lincoln National, a US insurer, is considering the sale of a majority-owned property-casualty insurance company worth \$2.1bn, it was announced yesterday.

The unit, American States, made its debut on the stock market last May but 83.3 per cent of its stock is still owned by Lincoln.

A sale to another company would mark another step in

the consolidation of the US property-casualty insurance industry, which has taken a breather in recent months.

A spate of mergers and capital-raising by insurers in part by heavy catastrophe and environmental losses, has been followed by a period of relative calm as the most acquisitive companies have digested their purchases.

That would make a takeover of American States, a

company based in Indianapolis, one of the biggest transactions in the sector.

The company said yesterday that it was "exploring a range of strategic options, including the potential sale of 100 per cent of the company."

It added that it had appointed Goldman Sachs to advise on what course of action it should take.

Mr Robert Anker, chairman and chief executive, said: "Consolidation trends

in the property-casualty industry may make this an opportune time to fully realise the value of the company."

American States' shares have risen steadily since they were floated, in line with the strong showing by insurance companies generally.

Yesterday's news prompted them to rally 32%, or 8 per cent, to \$35, compared with the \$23 at which they were floated. Stock in

Lincoln National rose 3% to \$58.

American States generates around half its business from home and car insurance, with the other half coming from selling insurance mainly to small businesses.

It sells through 4,800 independent agents in 43 states across the country, though the bulk of its business comes from the Midwest and the north-west regions.

The company is undergoing

a reorganisation of its operations to cut costs.

At around 105, its combined ratio - the ratio of underwriting and operating costs to revenues - is considerably higher than the most efficient companies in the industry, adding to the pressure to reduce expenses.

The moves have included centralising all its accounting and underwriting activities, and reducing its regional offices from 20 to four.

Investors wait for son to shine at Televisa

Azcarra Milmo disappointed with his succession choice, say Leslie Crawford and Daniel Dombey

Emilio Azcarra Jean, the new 29-year-old chief of Mexico's Televisa, has just over a month to convince investors he can steer the largest media conglomerate in the Spanish-speaking world back to profitability.

When his father, Mr Emilio "The Tiger" Azcarra Milmo, retired unexpectedly on March 4 owing to ill health, many investors hoped the family patriarch would name a team of professional managers to run the \$4bn company.

They were disappointed. Mr Azcarra Milmo appointed his son chief executive, proving that family ties in Mexico still outweigh dispassionate business considerations.

Televisa's stock went into a tail-spin, prompting Mr Azcarra Jean to promise investors a new business plan for Televisa by April 28.

Among the issues the new chief executive will have to address are:

- Televisa's declining share of television audiences and advertising revenues;
- Competition from Televisión Azteca, a lean and hungry rival network which has made inroads into Televisa's once captive market;
- The group's costly subsidiaries, including Cablevisión, its cable television company, and Eco, its Spanish-language news network;
- The timing of further asset disposals, including Skytel, its radio paging service, and Vendor, an outdoor advertising company, which have been on the market for more than a year;
- Which of Televisa's subsidiaries might be profitably floated on Mexico City's stock exchange.

Mr Azcarra Jean recently said in an interview he would announce Televisa's new management structure on April 28. But above all, he will have to convince investors that he is up to the job.

Unlike his father, whose overpowering personality dominated Televisa and shaped its aggressive international expansion over two decades, Mr Azcarra Jean favours a collegiate style of decision-making.

"We have an important team in Televisa which has been responsible for its rapid growth in recent years," he says.

"The idea is to make this group into an executive committee which will oversee major decisions, including corporate strategy, changes in programming, new investments and acquisitions, and the start up of new businesses."

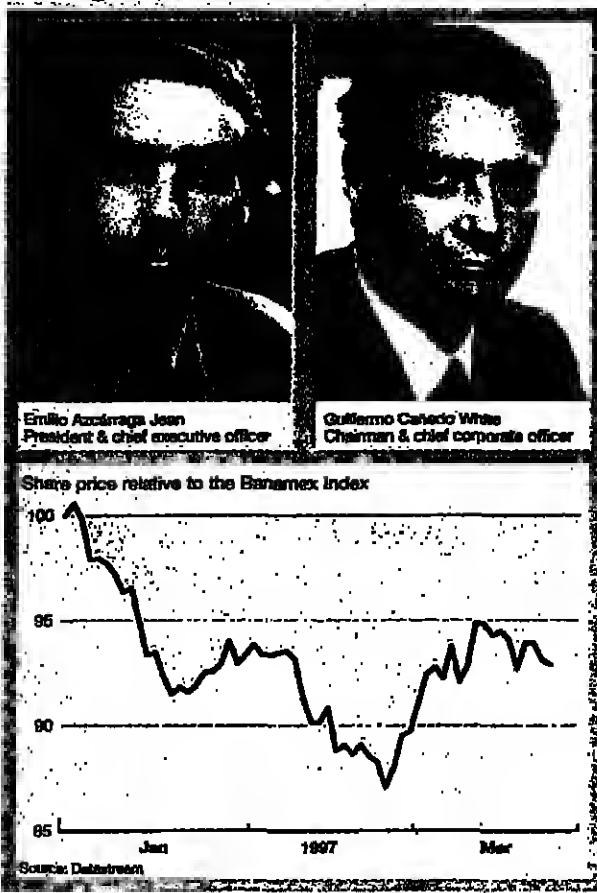
The generational change at Televisa has also raised Mr Guillermo Cañedo White, the 37-year-old former chief financial officer, to chairman of the board and chief corporate officer.

Mr Miguel Aleman Velasco has taken leave of absence from the Senate to oversee news programming and Televisa's satellite television ventures in Spain and Latin America.

And Mr Jaime Dávila, credited with transforming Univisión, in which Televisa holds a 20.8 per cent stake, into the largest Spanish-language network in the US, has been summoned back to Mexico to take charge of programming operations.

The Azcarra, Cañedo and Aleman families together control more than 60 per cent of Televisa's vot-

New generation at Televisa



ing stock. Mr Cañedo White says the new team will manage Televisa "for margins and growth, and will make stockholders its main concern."

The company, which posted a 598.5m peso (\$77m) loss in 1996, has not declared dividends since January 1995.

The days when Televisa's four broadcast networks commanded 90 per cent of television audiences are gone, Mr Cañedo White says.

advertising slots, its advance sales increased 9.8 per cent. Azteca's advance sales increased 44 per cent to an estimated \$208m, giving the smaller network 22 per cent of Mexico's free television advertising market.

Mr Cañedo White says Televisa has recovered some audience share with better programming this year. But he adds: "The challenge we face is to increase our margins with an audience share of 70 per cent. We have to make Televisa more efficient."

Staff cuts, in a company with 20,000 employees, will not necessarily follow. "We want to do much more with the same number of employees," Mr Cañedo White says.

Televisa is planning to launch a 24-hour financial news network for Latin America next month, while it expects to start beaming its programmes to the Iberian peninsula in June in a direct-to-home joint-venture with Spain's Telefonía and Radio Televisión Española.

In Mexico, Televisa launched its DTH service in December in partnership with Mr Rupert Murdoch's News Corporation and Telecommunications International of the US. Televisa's investment outlays in DTH could top \$250m over the next three years, including expected operating losses until a break-even point is reached.

Televisa hopes to finance its DTH ventures with \$750m of 10-year senior notes, which could be issued by Innova, its DTH subsidiary, as early as this week. Moody's, the US rating agency, gave the notes a speculative grade rating because of the "uncertainty

of subscription levels for the service, which is targeted, due to its cost, only at the top 25 per cent of the population in terms of household income."

"All new businesses have start-up risks," says Mr Cañedo White, who remembers how "furious" investors were when Televisa bought a 50 per cent stake in PanAmSat, a US satellite carrier, for \$200m in 1992.

Last September, Televisa announced the sale of most of its PanAmSat investment in a transaction valued at \$1.25bn.

Mr Cañedo White expects the sale to be completed in June. The proceeds will be used to lower Televisa's corporate debt from \$1.25bn to \$900m.

Not all of Televisa's business ventures have been as fortunate as the PanAmSat deal.

Cablevisión, the cable television subsidiary, lost 30,000 viewers during Mexico's financial crisis, but Mr Cañedo White is hoping subscriptions will bounce back with the country's economic recovery.

Televisa's Grupo América is the largest Latin American publisher of magazine titles, but sales slumped during the recession and have yet to recover.

Mr Cañedo White says he plans to float some of Televisa's subsidiaries, such as Cablevisión, on the Mexico City stock exchange this year if market conditions prove favourable.

This is the eighth in a series on Latin American family-run companies. Previous pieces have run on January 17, January 27, February 13, February 18, February 28, March 12 and March 21.

AMERICAS NEWS DIGEST

Auditor qualifies TWA results

Trans World Airlines, the troubled US carrier in which Saudi investor Prince Al Waleed Bin Talal has a 5 per cent stake, warned that its annual report due next week would contain an auditor's qualification "regarding TWA's ability to continue as a going concern." The statement increased concerns about the company's ability to reduce heavy losses, and the shares were down 4% at \$7 in early trading, a fall of 5 per cent.

The airline has been hit by a range of problems including last year's still-unexplained crash of flight 800, a series of management changes, heavy debts and an over-ambitious expansion plan. Its cash balance at the year-end was \$181.5m, down from \$204.3m a year earlier, and the company said late on Tuesday that it was going to try to raise \$50m through a private offering.

Richard Tomkins, New York

Reshuffle at Philip Morris

Philip Morris, the US tobacco and food group, announced a flurry of management changes following the unexpected resignation this week of Mr James Kitta, the head of its food businesses. It created the new position of chief operating officer under Mr Geoffrey Bibbe, the chairman and chief executive, and appointed Mr William Webb, previously head of its international tobacco business, to fill it. Mr Kitta will not be replaced, so the heads of the domestic and international food business will report directly to the group's chief operating officer, mirroring the management structure on the tobacco side.

The appointment of a chief operating officer will relieve the pressure on Mr Bibbe at a time when anti-tobacco litigation is becoming a serious threat. Yesterday's management changes included the award of the vice-chairmanship to Mr Murray Brink, the company's general counsel, reflecting the importance of legal issues to the company's future.

Richard Tomkins

Avenor plans defeated

Avenor shareholders voted 74.4 per cent to 25.6 per cent against the proposed acquisition of Repap Enterprises. At yesterday's meeting, Avenor president and chief executive Paul Gagne acknowledged shareholders were worried by the amount of debt involved in the stock-swap transaction.

Avenor would have paid stock valued at about C\$880m (US\$222m) and assumed C\$342m in Repap debt. Approval by two-thirds of the shareholders was required. Avenor earlier this week said that it had rebuffed a merger proposal by Domett that was contingent on shareholder approval of the Avenor-Repap deal. Some Avenor shareholders wanted Avenor to consider the Domett proposal before proceeding with the vote on the Repap deal, but Avenor management would not discuss other strategic options until afterward.

Repap shareholders, at a separate meeting, voted 91.3 per cent in favour of the share exchange merger with Avenor. The deal would have provided them with almost C\$3 per share of value in Avenor shares.

AP-DJ and Robert Gibbons, Montreal

Tractebel in Peru buy

Tractebel, of Belgium, is investing \$280m in the acquisition of a 180MW power plant from Southern Peru and construction of two power plants in Peru. The new power plants will supply electricity to open-cast copper mines at Cuagone and Toquepala, the company said.

AFX News, Brussels

Gt Western spurns Ahmanson

Great Western Financial, the Californian thrift, yesterday rejected a negotiation offer from rival H.F. Ahmanson, saying it remained strongly committed to its strategic merger agreement with Washington Mutual. Great Western also said it continued to oppose Ahmanson's consent solicitation and urged stockholders not to sign any consent card sent by Ahmanson. The company asked stockholders to discard Ahmanson's white consent card.

Reuters, California

Disposals for Alpargatas

Alpargatas, the Argentine textile and footwear company, plans to sell non-core assets and concentrate on its main business to be in a more competitive position by 2000, vice-president Guillermo Gotelli was quoted yesterday as saying.

According to La Nación newspaper, he said the company planned "to sell assets not related to the central businesses (some plant and real estate) and exploit others adequately."

He added Alpargatas was considering issuing a long-term bond to smooth that transition. No further details were available. Gotelli said last year Alpargatas cancelled debt of some \$130m, including \$60m in interest.

Reuters, Buenos Aires

Buenos Aires poised to start airport sell-offs

By Andrea Mandel-Campbell
in Buenos Aires

In an attempt to overcome the Congressional deadlock over the privatisation of Argentina's few remaining state-owned enterprises, the Argentine government will issue a presidential decree putting 21 of the country's 89 airports in private hands by August, said Mr Alfonso Emswack, co-ordinator for the national airport system for the government.

"We want to show that when we launch a project, we're serious and we're not wasting anybody's time," he said. "Otherwise it could be very negative for Argentina and could lead to distrust on the part of potential investors."

The Argentine government is hoping to attract nearly US\$2bn in investments to expand and modernise the antiquated system during what is expected to be a 25-30 year concession.

In return, the concession opera-

tor will collect fees for landing rights, airport use and hangars as well as being able to develop restaurants, hotels, shops and parking lots. The Argentine armed forces will remain in charge of air traffic control.

The privatisation will apply to 18 airports under federal jurisdiction and three provincial airports currently being transferred to federal domain. Together, these account for 38 per cent of Argentina's 18 million air passengers a year. The

remaining 28 provincially controlled airports will be privatised in a second stage.

As with the privatisation of the state-owned mail company Encosta, for which a presidential decree was signed on Monday, Argentina's airports have been the subject of allegations of corruption from Mr Domingo Cavallo, the former economy minister, which paralysed the privatisation law in Congress.

Mr Cavallo dubbed the planned

privatisation "monopolistic" for favouring postal entrepreneur Alfredo Yahran, who also owns the airport free shop, handling and cargo deposit concessions.

To date, the list of interested investors includes Thyssen, Siemens and a German consortium representing Frankfurt airport, as well as the Italian operators of the Rome and Milan airports, Assaeroporti; Aéroports de Paris; Aena, of Spain; and the Airport International Group of the US.

HSBC Holdings plc

Incorporated in England with limited liability. Registered in England: number 617097
Registered Office and Group Head Office: 10 Lower Thames Street, London EC3R 6AE, United Kingdom

Notice to Former Shareholders of The Hongkong and Shanghai Banking Corporation Limited

Scheme of Arrangement

Pursuant to a Scheme of Arrangement between The Hongkong and Shanghai Banking Corporation Limited ('HongkongBank') and its shareholders ('the Scheme'), which became effective on 2 April 1991, HSBC Holdings plc ('HSBC Holdings') acquired the entire issued share capital of HongkongBank. One Ordinary Share of HK\$10 in HSBC Holdings was issued in exchange for every four shares of HK\$2.50 each in HongkongBank. Certificates for the Ordinary Shares in HSBC Holdings were mailed to shareholders of HSBC Holdings on 6 April 1991.

The Trust

The Ordinary Shares in HSBC Holdings which would otherwise have been allotted to HongkongBank shareholders who were 'untraceable' (as defined in the Scheme) were allotted under the terms of the Scheme to Coutts (Jersey) Limited (formerly NatWest International Trust Corporation (Jersey) Limited) ('the Trustee') and are to be held by the Trustee on the terms of a Trust Deed dated 1 February 1991 between HSBC Holdings and the Trustee.

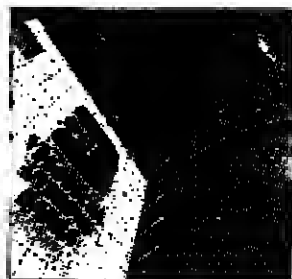
Claims

Any person who believes he is entitled to HSBC Holdings shares issued in exchange for HongkongBank shares under the Scheme (and any other property held by the Trustee with respect to or derived from such shares) and who has not received the relevant share certificates should address a claim to the Exchange Agent, Central Registration Hong Kong Limited, Rooms 1901-5, Hopewell Centre, 183 Queen's Road East, Hong Kong (who has been appointed by the Trustee for the purpose of receiving and processing such claims) enclosing (wherever possible) certificates for the appropriate number of HongkongBank shares.

For and on behalf of
HSBC Holdings plc
R G Barber
Secretary

27 March 1997

VÚB is proud to announce the opening of a Representative Office in London.



Address:

Všeobecná Úverová Banka
Representative Office
1 College Hill
London EC4R 2RA
Tel: +44 171 329 2874
Fax: +44 171 329 2875



VŠEOBECNÁ
ÚVEROVÁ
BANKA

ESSELTE
ANNUAL GENERAL MEETING

Shareholders of Esselte AB are hereby invited to attend the Annual General Meeting of the Company to be held at 4.00 pm on Monday 17th April, 1997 at the offices of the Company, Sandbyvägen 1, Solna, Sweden.

Notification

Shareholders who wish to participate in the Meeting must notify the Company not later than 4.00 pm on Monday 14th April, 1997 by writing to Esselte AB, Box 1371, S-171 27 Solna, or by telephone on +46 8 772 760. Shareholders must state their name, personal or registration number (where applicable), address and telephone number.

Right to participate

To be entitled to participate in the Annual General Meeting shareholders must be recorded in the share register maintained by VPC (Värderegistrationscentralen VPC AB (Swedish Securities Register Centre)) as at 7th April, 1997. Shareholders whose shares are registered in the name of a trust department or a bank or a private broker must in due time procure through their bank or broker that their shares on the said date are properly registered with VPC in their own name.

Agenda

At the Annual General Meeting the following matters will be addressed:

- Election of a Chairman for the meeting;
- Preparation and approval of the voting list;
- Election of two persons to check the minutes;
- Resolving whether the meeting has been properly convened;
- Presentation of the Company's annual financial report, the Esselte Group's consolidated annual financial report and the auditors' reports;
- Resolutions concerning adoption of the profit and loss account and the balance sheet and also of the consolidated profit and loss account and the consolidated balance sheet;
- Resolutions concerning the allocation of the Company's profit according to the adopted balance sheet;
- Resolutions concerning the discharge from liability of the members of the Board of Directors and the Managing Director;
- Determination of the number of the Board members and deputies for them, and of auditors and deputy auditors;
- Determination of the remuneration of the Board members and auditors;
- Election of the Board of Directors;
- Appointment of auditors.

Decision Proposals

Shareholders who together represent more than half the number of votes for all shares in the Company have made the following proposals at the Annual General Meeting:

Directors of the Board: Six directors with no literary directors. Re-election of all directors: Olof Erik, Lars Berg, Urban Jansson, Bo Lundqvist, Sten Olsson and Jan Söderberg.

Directors' fees: SEK 740,000 to be distributed by the Board between those directors elected by the General Meeting who are not employed by the Company.

Auditors: Re-election of the auditors Stig Nilsson and Peter Markberg and the deputy auditors Ole Wahlqvist and Rikard Peters.

Auditors' fees: According to opinion.

Dividend

The Board of Directors has proposed a dividend of SEK 5 for each share. Provided that the Annual General Meeting determines the record date to be 22nd April, 1997, VPC participates distributing the dividend payment on 22nd April, 1997.

Solna March 1997
BOARD OF DIRECTORS

Veba plans October debut in New York

By Ralph Atkins in Bonn

Veba, the German energy and industrial conglomerate, yesterday unveiled plans for a New York Stock Exchange debut on October 8 to spur the group's internationalisation.

Mr. Ulrich Hartmann, chairman, said Veba would be the sixth German company to list on the exchange, as the group announced a 15.6 per cent increase in pre-tax income last year to DM4.44bn (US\$2.6bn). He warned, however, that Veba was feeling "the stiff wind of the currently weak (German) economy" and future earnings growth would be "less spectacular".

Last year's after-tax profits of DM2.49bn - up from DM2.11bn - included DM200m start-up losses from Veba's telecoms activities. The group is building with RWE, another German industrial group, a rival business to Deutsche Telekom, Europe's largest telecoms group. Veba blamed uncertainty over future tariff structures for a weaker-than-expected volume increase in the corporate network sector.

Mr. Hartmann also attacked Deutsche Telekom's attitude in negotiations over "interconnection" agreements to link telecom networks after full liberalisation of the market next January. He warned: "We will soon be knocking on the regulator's door."

The New York move has been mooted for more than a



Ulrich Hartmann: US listing not an excuse to raise capital

year and follows the switch last year to accounts based on the US Generally Accepted Accounting Principles. Other German companies already listed in New York include Daimler Benz and Deutsche Telekom.

Mr. Hartmann said the importance of international-

isation and need for a broader shareholder base "carry so much weight that, given our solid capital structure, we will be listing our shares in New York without increasing our capital".

However, he pre-empted any pressure from US shareholders for Veba to be split up, revealing that a strategic review by management last year had concluded the group's future lay in developing activities across a broad front - providing there was transparency within the group.

A dividend of DM1.90, up from DM1.70, was proposed.

Renault trucks arm in red but sees recovery

By David Owen in Paris

Renault VI, the truck and bus division of the troubled French car group of the same name, expects to return to break-even in the second half of 1997, and to be profitable the following year.

Mr. Shmoua Levy, chairman, made the prediction yesterday in Paris, while announcing that the company had incurred net losses of FF7.71m (\$139m) in 1996.

The decline - from profits of FF7.71m the previous year - was blamed on unexpectedly tough market conditions, particularly in Europe, and to an exceptional increase in costs related to the renewal of product ranges.

It said Mack Trucks, the US heavy trucks subsidiary, had resisted the downturn in North American markets well and continued to post profits, with operating income of FF147m against FF313m in 1995.

The company's European branch posted an operating loss of FF819m, against a 1995 profit of FF696m.

European sales fell 15.4 per cent to 28,700 units, while those of Mack declined 16.8 per cent to 25,000.

The decline in market share was much smaller, however: in Europe, the company had 11 per cent of the overall market, against 11.2 per cent in 1995; in the US, it had 12.1 per cent of the so-called Class 8 market, versus 12 per cent.

Mr. Levy said a 5 per cent per year reduction in annual costs would be one of the main factors helping the group back to profitability. But he gave little indication of the implications of such a cost drive for employment levels at the company.

He said the group was in "detailed discussions" with unidentified parties on a strategic partnership in the mechanical components area.

Debt rose sharply from FF3.12bn at the end of 1995 to FF4.64bn a year later. The group had spent FF350m in 1996 on new product launches.

Schneider shares sharply up as profits surge 61.6%

By David Owen in Paris

Shares of Schneider, the French electrical equipment maker, rose sharply yesterday after the group announced a strong improvement in annual profits.

The shares closed ahead FF18.90, or 63 per cent, on heavy trading, at FF320.70 after the company posted net attributable profits up 61.6 per cent from FF181.7m to FF297.3m (\$231m).

The performance was helped considerably by a 32 per cent reduction in net interest expenses, from

FF1.08bn to FF735m. This was attributed both to lower interest rates and debt reduction.

Operating income rose about 9 per cent, from FF3.68bn to FF4bn. The result included net extraordinary losses of FF465m, against FF502m in 1995. Last year's figure included a FF1bn profit on the sale of fixed assets and provisions "for risks and charges", or about FF1.4bn.

The group is proposing a net dividend of FF5 a share - up 25 per cent from the previous year.

Sales edged ahead 3.7 per cent from FF59.4bn to FF61.6bn. Within this figure, Schneider Electric's sales climbed 4.6 per cent to FF43.8bn.

The company in February completed the sale of Spie Batignolles, its construction unit. It said its debt/equity ratio after the deconsolidation of that part of its business stood at 28 per cent.

Mr. Didier Peneau-Valencienne, chairman, said the company was studying ways of reducing its equity capital in order to boost earnings per share.

Stet investors approve golden share

By Paul Betts in Milan

Stet shareholders yesterday approved the introduction of a golden share in the Italian state-controlled telecommunications group's statutes ahead of privatisation later this year.

The golden share will give the government a veto on important decisions such as mergers, acquisitions or disposals, as well as on the choice of core shareholders.

By introducing a golden share for three years, the

government has sought to placate the Refounded Communists, who oppose the full privatisation of Stet and on whose support the government depends.

However, one new complication could arise in the unlikely event of a victory of the promoters of a national referendum on the abolition of golden shares, to be held in June.

Stet yesterday also set the buying price for its shares for investors who opt not to exchange them for new

shares being issued as part of the merger of Stet and Telecom Italia, the fixed-line operating company.

Based on the average price of the past six months, ordinary shares have been priced at L5,466.18 and savings shares at L4,976.6. This compares with current prices of about L7,300 for ordinary shares and more than L5,800 for savings shares.

For Telecom Italia, the value of ordinary shares was set at L3,938.25 and for

savings shares at L3,176.59. Telecom Italia ordinary shares are trading at about L4,200, while the savings shares are close to L3,500.

Stet and Telecom Italia are to hold shareholders' meetings on April 30 to approve the merger of the two groups. The new group will be called Telecom Italia.

However, the government has yet to establish a telecommunications and broadcasting regulatory authority, a prerequisite for the privatisation of the new company.

Euro Disney faces earthly reality

The Paris theme park has ruled out a second venue before 2000

The new chairman of Euro Disney, operator of the Paris-based theme park, yesterday ruled out the creation of a second park or an important new attraction, at least before the start of the next millennium.

Mr. Gilles Pellissier, who took over last month after the sudden departure of Mr. Philippe Bourguignon to head Club Méditerranée, warned several hundred shareholders gathered for the group's annual general meeting that the Magic Kingdom still had to deal with the earthly realities of interest charges that would rise by FF200m this year.

In his first public appearance in his new role, he said that possible price increases from 1998, as well as contin-

ued cost-cutting and revenues from other commercial activities, would be used to help offset the increasing charges, the legacy of heavy financial restructuring in 1994.

But in a comment that disappointed the Disney enthusiasts in the audience, Mr. Pellissier said there was no question of starting to build a second theme park - which had originally been planned to open in the mid-1990s - at least for the next two to four years.

He said the Euro Disney board had no plans for a new attraction in the existing park in the next two to three years. The last big project, Space Mountain, opened in 1995.

"A second park is still part

of our dream, but before considering the third stage of the rocket, we need to deal with the second stage," he said in a reference to the Val d'Europe commercial property project being built near Euro Disneyland.

Mr. Pellissier argued instead that new shows could boost visitor numbers. As if to illustrate the point, Disney characters danced and sang on stage at several points during a presentation by the company.

Just 40 minutes at the end were left for questions. When several disgruntled investors complained about the continued disappointing share price performance of the group, the Euro Disney chairman said simply: "You have a company with devel-

opment prospects, and a real future. We have left the vicious circle behind us."

One shareholder suggested that the supervisory board should be paid in Euro Disney shares rather than cash, called for more information on their salaries, and said their minimum holding of 1,000 shares each was "derisory".

Another said his children were thrilled by the park, but asked if the group could "make papa happy too" by giving him at least one free entry a year.

Mr. Pellissier politely thanked them without offering much hope, and the meeting concluded in a puff of evaporating dry ice.

Andrew Jack

NOVARTIS

Basel, Switzerland, 25 March 1997

To the shareholders of Novartis AG

Notice of Annual General Meeting

Date: Tuesday, 22 April 1997, 10.30 a.m. (the doors of the assembly hall will open at 8.00 a.m.)

Place: St. Jakobshalle, Basel (entrance Brüglingerstrasse/St. Jakobs-Strasse)

Items of business

1. Approval of the annual report, the financial statements and the Group consolidated financial statements for 1996
The Board of Directors proposes approval.

2. Formal approval of the activities of the Board of Directors
The Board of Directors proposes that the Directors be released from liability.

3. Appropriation of balance sheet profit and declaration of dividend
Profit for 1996: CHF 2'340'186'477
Profit carried forward: CHF 245'781'853
Balance sheet profit at the disposal of the AGM: CHF 2'585'968'330

The Board of Directors proposes appropriation of the Balance Sheet Profit as follows:

Dividend: CHF 1'389'068'340
Balance to be carried forward: CHF 1'196'899'990

A total dividend payment of CHF 1'389'068'340.- is equivalent to a gross dividend of CHF 20.- per registered and bearer share of CHF 20.- par value entitled to dividends. Assuming that the Board's proposal for profit appropriation is approved, payment will be made with effect from 25 April 1997.

4. Elections to the Board of Directors
The Board of Directors proposes the re-election of Mrs. Birgit Breuel, Mr. Walter G. Frehner, Mr. Alexandre F. Jezer and Dr. Jean Wanders, all for a four-year term.

5. Appointment of the auditors and the Group auditors
The Board of Directors proposes the retention of the current auditors and Group auditors, the STG-Coopers & Lybrand AG, for a further year.

Annual Report

The annual report (the financial statements and the Group consolidated financial statements) and the auditors' report for 1996 will be open to inspection by shareholders at the Registered Office of the Company* from Thursday, 27 March 1997, onwards. These reports will be sent to registered shareholders; they will also be supplied to holders of bearer shares on written request*.

Ticket of admission

-The ticket of admission and voting papers will be sent only to those who register from 7 to 17 April 1997

Holders of registered shares who are recorded in the Share Register as entitled to vote will be sent a registration card together with the notice of the Annual General Meeting. The registered shares entered in the Share Register on 2 April 1997 provide entitlement to vote. After return of the registration card, the registered shareholder will be sent a ticket of admission and voting papers. It will greatly assist the Share Registry in its preparations for the meeting if the registration card is returned so as to reach the Company by 10 April 1997.

-Sale of shares

In the case of sales of shares stated on the ticket of admission the shareholder loses the entitlement to vote provided by those shares. The ticket of admission and the voting papers must be presented for correction at the AGM desk (GV-Büro) before the Annual General Meeting begins.

-Holders of bearer shares

Holders of bearer shares may obtain a ticket of admission and voting papers from their bankers or direct from the Registered Office of the Company* against temporary surrender of their share documents.

Appointment of proxy

Pursuant to Art. 15.2 of the Articles of Association, a shareholder may only be represented by his legal representative, another shareholder with the right to vote, corporate bodies (Organvertreter), the independent proxy (unabhängiger Stimmrechtsvertreter): lic. iur. Peter Andreas Zahn, St. Jakobs-Strasse 7, P.O. Box 2879, CH-4002 Basel or a depositary (Depotvertreter). The instrument of proxy on the reverse of the registration card or ticket of admission must be used for this purpose. Unless there are clear instructions to the contrary votes will be cast according to the proposals of the Board of Directors.

Representatives

Institutions subject to the Federal Law relating to Banks and Savings Banks of 8 November 1934 and professional securities administrators are asked to notify the number and type of the shares they represent to the Company as early as possible, and in any event not later than the day of the Annual General Meeting, at the AGM desk (GV-Büro).

Leaving the Annual General Meeting early

Shareholders who leave the Annual General Meeting early are requested to show their unused voting papers on the way out.

Means of transport

Shareholders are requested to use public transport since parking facilities at the St. Jakobshalle are limited.

Novartis AG
For the Board of Directors
The Chairman:

Dr. A. Krauer

* Office of the Company Secretary, Schwarzwaldallee 215, CH-4058 Basel

SCHRODER INTERNATIONAL SELECTION FUND

Société d'investissement à capital variable
Registered office: 5 rue Höhenhof, L-1736 Senningerberg
R.C. Luxembourg 38222

NOTICE TO HOLDERS OF BEARER SHARES OF SCHRODER INTERNATIONAL SELECTION FUND SICAV

As new bearer share certificates are being printed, existing holders of bearer shares of SCHRODER INTERNATIONAL SELECTION FUND are hereby kindly requested to hand in during the period starting on April 1st, 1997 and ending on May 2nd, 1997 to BANK OF BERMUDA (LUXEMBOURG) S.A., 13 rue Goethe, L-1637 LUXEMBOURG, the Transfer Agent, the certificates they are presently holding in order that they may be exchanged for new bearer share certificates. Bearer share Certificates not exchanged before May 3rd, 1997 will no longer be good for delivery at the Luxembourg Stock Exchange.

The Board of Directors

US \$200,000,000
Rothschilde Continuation
Finnish R.V.
Primary Capital Unlimited
Guaranteed Floating Rate Notes
For the period from March 27, 1997 to September 30, 1997 the Notes will carry an interest rate of 6 1/8% per annum with an interest payment of US \$100,000,000. The relevant interest payment date will be September 30, 1997.

BANQUE PARIBAS

NOTICE OF PARTIAL REDEMPTION

JAPAN AIR LINES COMPANY, LTD.
(Nippon Koku Kaishu Kaisha) (the "Company")
U.S. \$42,150,000 10 7/8 per cent.
Guaranteed Bonds due 1998 (the "Bonds")

NOTICE IS HEREBY GIVEN, that the following Bonds of the Company, in the aggregate amount of \$5,630,000 have been drawn for redemption on April 28, 1997 (the "Redemption Date") for the account of the Sinking Fund at a redemption price (the "Redemption Price") of 100% of the principal amount thereof.

SERIAL NUMBERS OF BONDS DRAWN FOR REDEMPTION

10,872, 12,422, 14,072, 15,722, 17,372, 19,022, 20,672, 22,322, 23,972, 25,622, 27,272, 28,922, 30,572, 32,222, 33,872, 35,522, 37,172, 38,822, 40,472, 42,122, 43,772, 45,422, 47,072, 48,722, 50,372, 52,022, 53,672, 55,322, 56,972, 58,622, 60,272, 61,922, 63,572, 65,222, 66,872, 68,522, 70,172, 71,822, 73,472, 75,122, 76,772, 78,422, 80,072, 81,722, 83,372, 85,022, 86,672, 88,322, 89,972, 91,622, 93,272, 94,922, 96,572, 98,222, 99,872, 101,522, 103,172, 104,822, 106,472, 108,122, 109,772, 111,422, 113,072, 114,722, 116,372, 118,022, 119,672, 121,322, 122,972, 124,622, 126,272, 127,922, 129,572, 131,222, 132,872, 134,522, 136,172, 137,822, 139,472, 141,122, 142,772, 144,422, 146,072, 147,722, 149,372, 151,022, 152,672, 154,322, 155,972, 157,622, 159,272, 160,922, 162,572, 164,222, 165,872, 167,522, 169,172, 170,822, 172,472, 174,122, 175,772, 177,422, 179,072, 180,722, 182,372, 184,022, 185,672, 187,322, 188,972, 190,622, 192,272, 193,922, 195,572, 197,222, 198,872, 200,522, 202,172, 203,822, 205,472, 207,122, 208,772, 210,422, 212,072, 213,722, 215,372, 217,022, 218,672, 220,322, 221,972, 223,622, 225,272, 226,922, 228,572, 230,222, 231,872, 233,522, 235,172, 236,822, 238,472, 240,122, 241,772, 243,422, 245,072, 246,722, 248,372, 250,022, 251,672, 253,322, 254,972, 256,622, 258,272, 259,922, 261,572, 263,222, 264,872, 266,522, 268,172, 269,822, 271,472, 273,122, 274,772, 276,422, 278,072, 279,722, 281,372, 283,022, 284,672, 286,322, 287,972, 289,622, 291,272, 292,922, 294,572, 296,222, 297,872, 299,522, 301,172, 302,822, 304,472, 306,122, 307,772, 309,422, 311,072, 312,722, 314,372, 316,022, 317,672, 319,322, 320,972, 322,622, 324,272, 325,922, 327,572, 329,222, 330,872, 332,522, 334,172, 335,822, 337,472, 339,122, 340,772, 342,422, 344,072, 345,722, 347,372, 349,022, 350,672, 352,322, 353,972, 355,622, 357,272, 358,922, 360,572, 362,222, 363,872, 365,522, 367,172, 368,822, 370,472, 372,122, 373,772, 375,422, 377,072, 378,722, 380,372, 382,022, 383,672, 385,322, 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Adviser to National Grid on Mangalore transmission project



Privatisation Advisory: Thailand
Adviser to Electricity Generating Authority of Thailand on the privatisation of Powergen II



M&A Advisory: UK
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Debt: UK
Joint bookrunner for GBP150 million 10 year bond issue for Scottish Hydro-Electric



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Equity: France
Block placing of 1.2 million shares in Compagnie Générale des Eaux on behalf of Elf

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Dominion Resources
M&A Advisory: UK
GBP1.3 billion recommended offer for East Midlands Electricity



Statnett
Debt: Norway
Arranger of NOK1 billion debut borrowing facility



Equity: UK
Share split, consolidation and GBP145 million buy-back



Southern Electric
Equity: UK
Share split, consolidation and GBP156 million buy-back



Privatisation Advisory: Italy
Restructuring and advice on privatisation process



Project Finance: Laos
Adviser to consortium including EDF on financing Nam Theun 2 hydro-power project



Project Finance: New Zealand
Adviser on financing NZD360 million waste water plant upgrade and NZD120 million pipeline

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UK Water
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Project Finance: China
Financial advice to China SPC and GuangXi Power Bureau on Lai Bin B power plant



Equity: Spain
Joint global co-ordinator for ESP37 billion share placement



Debt: UK
Joint bookrunner for GBP100 million 10 year bond issue for CSW Investments UK



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Adviser to SEI on GBP1 billion acquisition of SWEB



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COMPANIES AND FINANCE: UK

N Brown pulls out and Littlewoods is back in the frame but once more wants exclusivity
Sears fails again to sell Freemans

By Peggy Helling

Sears, the retail conglomerate, yesterday further disappointed its already disgruntled shareholders with news that a second attempt to sell the mail order business Freemans for £265m (\$283m) had collapsed in less than three months.

N Brown said yesterday it had "felt unable to proceed" after carrying out due diligence. However, it is understood that the talks col-

lapsed after it tabled a bid some \$40m-\$50m lower than the £395m it initially indicated when it began serious discussions last month.

Sears said yesterday it had re-entered talks with Littlewoods, the private retail group, which bid £235m in January. Littlewoods withdrew its original offer when it emerged Sears had begun talks with N Brown, following a referral of its offer to the monopolies commission.

Littlewoods said yesterday

it would only re-bid if it was granted exclusivity while carrying out its own due diligence. Sears had refused this request from Littlewoods following the first bid.

Shareholders and analysts were yesterday incredulous at the latest turn of events. "What a fiasco," said one analyst. Although Littlewoods had revived its bid, there was no guarantee that it would stick with a £235m offer price. "Unless they are stupid, they will negotiate a

lower price," the analyst said.

In the end, Sears could end up with a price not far from that being offered by N Brown, while shareholders would be penalised by facing a further delay on the proposed £410m payment from disposals, due in September.

Investors said yesterday they were increasingly frustrated by the management's track record. The company had failed on previous disposals, most notably the

abortive sale of shoe businesses to the now collapsed Facia group.

Mr Liam Strong, chief executive, would have to show real trading improvements at the company's results meeting in April, said one shareholder, "or the board will have to do something".

However, some institutions said they took comfort from the fact that Sears was holding out for the higher price. "You cannot criticise

Sears' board for saying to N Brown 'You cannot get the business on the cheap'," said one shareholder.

There was speculation in the market that N Brown had found shareholders reluctant to back the £200m equity issue which would have been required to fund the deal.

N Brown is believed to have had £250m in financing arranged with Royal Bank of Scotland and Midland Bank to fund the deal.

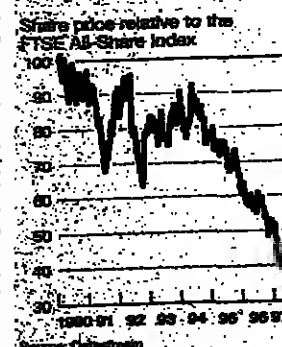
LEX COMMENT

Sears

The problems at Sears appear interminable. It struggles to run the subsidiaries it wants to keep and seems unable to relinquish the businesses it wants to sell. First, various shoe retailers were sold off, only to bounce back with the collapse of the buyer, Facia. Now Freemans, the home shopping business, will not go away. And yet Mr Liam Strong, the chief executive, has consistently promised that recovery is just around the corner.

The latest set-back is embarrassing and costly. The switch from negotiating with Littlewoods to N Brown and then back to Littlewoods has postponed completion of a Freemans sale by over six weeks. And Littlewoods, now in a stronger negotiating position, will want to extract a lower price, while Freemans can hardly be flourishing amid the uncertainty. So this is another example of this conglomerate's head office destroying value. Add its failure to raise profit margins above recessionary levels and poor returns on its hefty capital expenditure, and the picture looks bleak.

There are two possible routes to salvation. One is to remove head office and break-up the group. Selfridges alone should be worth over £600m, leaving the remaining businesses valued at close to zero, once the Freemans proceeds are repaid. The other is to develop a coherent strategy for focusing on core brands and rebuilding consumer confidence in them. Without a change of management, or at least a change of direction, shareholders are unlikely to be saved from further underperformance.

**Strength of sterling hits McKechnie shares**

By Christopher Price

A loss-making contract and the sterling effect overshadowed a 30 per cent rise in half-year profits at McKechnie yesterday, and sent shares in the Midlands engineering group down 21p to 545p.

Pre-tax profits of £28.1m (\$44.7m) were struck on sales 20 per cent higher at £222.2m for the six months to January 31.

McKechnie said it was taking a £1.1m charge in the second half to cover the cost of terminating a loss-making contract on a large plastic moulding order in the US.

However, Mr Stuart Mob-

erley, finance director, said the sterling situation had to be viewed in the context of lower costs of plastics and metals, much of which the company imports. He estimated raw materials costs had declined by between 10 and 15 per cent in recent months.

The group's three divisions all performed positively. Specialist products, which manufactures predominantly fasteners, raised profits by 30 per cent to £12.2m boosted by acquisitions.

Sales were 16 per cent higher at £102.9m. Demand from the aerospace industry was particularly marked.

Recent acquisitions also helped the engineering plastics division, where profits increased by 85 per cent to £11.1m on sales 37 per cent higher at £127m.

Three new overseas manu-

facturing facilities are being built to further expand the group's operations.

Dull housing markets in the UK and Australasia held back profits in the consumer products business, which rose 3 per cent to £7.3m. Sales were 6 per cent ahead at £83.2m.

However, Mr Moberley said there were signs of a pick-up in both markets which should begin to filter through in improved sales in its DIY products and building materials businesses by the end of 1997.

Gearing fell from 50 to 30 per cent. Earnings per share rose 21 per cent to 13.6p. The interim dividend is raised 8 per cent to 6.5p.

Pre-tax profits of about £57m post-exceptional are now expected, against £63m previously, with the shares trading on a prospective p/e of 13.5 times.



New to the job: Andrew Walker

Lonrho may sell motor operation

By Ross Tienan

Lonrho may float Dutton-Forsaw Group, its UK motor distributor, Mr Nicholas Morrell, the conglomerate's chief executive, indicated yesterday.

The first signal about the future of Dutton-Forsaw accompanied confirmation at a protracted annual meeting of plans to float or sell Lonrho Sugar separately from the conglomerate's African trading arm, slated for demerger later this year.

A question mark has hung over Dutton-Forsaw, which includes Jack Barclay, the world's largest Rolls-Royce and Bentley dealership, since Lonrho announced plans in January last year to focus on its mining activities.

Mr Morrell told more than 500 shareholders in London that Dutton-Forsaw, which made operating profits of £10m last year on sales of £426m, was now the 13th largest motor dealer in Britain.

"I see every future for that company as an independent public company," he said in answer to a shareholder's question.

He gave no indication of how or when it might be demerged.

Later, a Lonrho adviser said no plans existed for a flotation, insisting Dutton-Forsaw remained "a core part of the business".

Saudi prince ends Granada hotel talks

By Scheherazade

Daneshkhu, Leisure Industries Correspondent

Prince Alwaleed bin Talal bin Abdulaziz Al Saud is understood to have dropped out of bidding for Granada Group's Exclusive Hotels because of price disagreements.

The prince, who bought the George V in Paris from Granada for £10m (\$15.4m), in December, had been front runner to buy a package

of the television and leisure group's European hotels.

These included the Ritz in Eden in Rome, the Ritz in Madrid, the Hotel Des Bergues in Geneva and the Bristol in Warsaw.

He is believed to think that the prices demanded by Granada are too high.

The prince is arranging financing to purchase seven of Lonrho's 10 North American-based Princess hotels for about \$50m.

Granada acquired the 17 Exclusives, which have a book value of £50m, in its £3.9bn takeover of Forte more than a year ago and pledged to sell them sale to reduce borrowings.

However, it said last month it would keep the 695-room Grosvenor House in London after apparently failing to secure a buyer willing to pay the £350m asking price.

It announced yesterday the sale of the Plaza Athénée

in New York for \$42.5m to TCC International, a privately owned Thai group which owns the Imperial chain of hotels.

After unwinding a finance leasing arrangement, Granada will receive £11.6m, a premium to the £16.4m book value.

The 163-room hotel made pre-tax profits of £2m on turnover of £11.4m in the year to January 1996. The hotel is the seventh Exclusive to be sold and brings

the total raised to \$405.5m.

Prince Alwaleed offered last year to buy all 17 hotels for £700m-£750m. In a joint bid with Marriott International, but Granada rejected the price as too low.

● Norwegian Cruise Line Holding also announced yesterday that the price, who last week took a 5 per cent stake in TransWorld Airlines, had subscribed to 5 per cent of its enlarged capital at a cost of \$20m.

Meeting of shareholders



Koninklijke BotenWassenaar NV

Convocation for the Annual

General Meeting of Shareholders to be held on Monday, April 14, 1997 at 02.00 p.m. in the Oude Hotel, Ferdinand Bolstraat 333, Amsterdam.

Agenda

- 1 Opening.
- 2 Annual Report of the Executive Board for 1996.
- 3 Adoption of the annual accounts for 1996.
- 4 Re-appointment of a member of the Supervisory Board.
- 5 Appointment of a member of the Supervisory Board.
- 6 Conversion of the Board of Managing Directors into an Executive Board, appointments, amendments of the Articles of Association.
- 7 Extension of the authoritative power of the joint meeting with respect to the issue of shares, restriction or exclusion of the pre-emptive right and the granting of rights to subscribe for shares.
- 8 Authorization for the company to obtain its own shares/depositary receipts.
- 9 Any other business and conclusion.

Copies of the Agenda and the Annual Report and the Annual Accounts for 1996, the verbatim text of the amended articles of association after adoption of the proposal are, free of charge, as from today available at the offices of Koninklijke BotenWassenaar NV and, in the United Kingdom, at the office of Cazeneuve & Co., Library, 12 Tottenham Court Road, London EC2A 4AN.

The meeting is open to holders of Shares, Registered Ordinary Shares andBearer Depositary Receipts, and to representatives of the Press upon presentation of their press pass. Under article 40 of the articles of association, holders of Bearer Depositary Receipts, issued by "Stichting Administratiekantoor van Aandelen Koninklijke BotenWassenaar", are entitled to attend the Meeting either in person, or represented by a proxy appointed in writing, and to address the Meeting, provided that they have lodged their Bearer Depositary Receipts or a receipt therefor with the ABN AMRO Bank N.V. (Hemengracht 587, 1017 CE Amsterdam), no later than April 7, 1997, in exchange for which a receipt will be issued which has to be handed over at the entrance of the meeting hall. In the event of a representative wishing to attend the Meeting, the Executive Board should have received his written proxy no later than April 7, 1997. Applications not received in time will be considered invalid.

Executive Board
Amsterdam, March 27, 1997

Koninklijke BotenWassenaar NV, P.O. Box 410,
NL-1100 AK Amsterdam, the Netherlands

Floating Rate Bond due 2005
THE REPUBLIC OF ARGENTINA
In accordance with the provisions of the Fiscal Agency Agreement, notice is hereby given that for the six month interest period from March 27, 1997 to September 30, 1997, the Bonds will carry an interest rate of 6.75% p.a. and the Coupon Amount per U.S. \$1,000 originally issued face amount of the notes will be U.S. \$34.01.

March 27, 1997, London
Citibank, N.A. Corporate Agency & Trust, Agent Bank

HERMÈS INTERNATIONAL

Hermès: growth in sales and earnings

During the Supervisory Board held on the 25th of March 1997, the Chairman, Jean-Louis Dumas, presented the 1996 accounts. The Group saw significant growth in sales and in earnings

Consolidated data

in millions of francs	1996	1995	Change
Sales	4 183.0	3 826.0	+ 9.3 %
Operating profit	753.3	684.5	+ 10.1 %
Net profit - Group's share	457.0	404.0	+ 13.1 %

The consolidated sales of the Hermès group reached FRF 4 183 million in 1996, up 9.3% despite the decline of the yen (11.3% at constant exchange rates).

In Japan, sales made further progress (+25% at constant exchange rates). The Group continued to expand elsewhere in the Asia-Pacific region and in America, where sales rose by 11% and 9% respectively. Sales increased by 10% in Europe, mainly thanks to the performance of the UK and German subsidiaries. Over the full year, sales in France moved up by 3%, as business in Group stores has been particularly strong in the second half.

Silk sales were virtually unchanged from the previous year (-1%). The ready-to-wear lines progressed by 23% at constant exchange rates. Watches, up 18%, are now one of the Group's main businesses. Growth in leather sales, still subject to increased production capacity, was up 17%. Finally, perfumes saw a rise in sales of 15%, thanks to the high-profile launch of "24, Faubourg" in the United States and Asia.

The net profit - Group's share - reached FRF 457 million, 13.1% higher than in 1995 (FRF 404 million).

Gross margin rate increased by 0.5% in 1996, mainly thanks to the ongoing policy of integrating the distribution network.

The decision to step up communication efforts pushed up administrative and commercial expenses to FRF 1 579.0 million, against FRF 1 351.3 million in 1995.

Other income and expenses amounted to FRF 166.2 million, compared with FRF 227.6 million in 1995; they include depreciation charges of FRF 118.9 million and provisions of FRF 44.5 million.

Operating profit growth was similar to sales growth (FRF 753.3 million in 1996, against FRF 684.5 million in 1995).

Net financial income was FRF 52.4 million, against FRF 31.7 million in 1995, the improvement on the previous year being partly due to the release of a provision of FRF 16 million which was no longer required.

The tax charge was FRF 324.8 million, compared with FRF 235.9 million.

Minority interest in net profit declined to FRF 23.9 million in 1996, against FRF 36.3 million in 1995.

The cash flow of FRF 661.6 million generated in 1996 was used to finance a major investment programme of FRF 557.2 million.

The Group invested FRF 250 million to lift its stake in its Japanese distribution subsidiary from 50% to 90%.

The Group also rebuilt the Brussels store and extended the 24, rue du Faubourg Saint-Honoré store in Paris. It opened new stores in Asia (Hong Kong, Singapore and Taiwan) and in Europe (Düsseldorf and Glasgow).

Hermès International took over the tanning company Gordon-Choisy and increased its holding in Tanneries de Cuir d'Indochine et de Madagascar.

In 1997, the Hermès group is set to continue its expansion, thanks to the increase in leather production, the dynamism of growth sectors and the extension of its distribution network. Two major stores are due to open in California in 1997.

In Asia, the Group plans to set up stores in China (Beijing), Malaysia and Thailand, and to extend its distribution network in Korea and Hong Kong. New stores are also to be opened in Antwerp, Hamburg, Prague and Turin. Finally, the Rome and Lille stores will undergo major refurbishment.

In order to enhance its long term development, the Group has decided to acquire a real estate property in the Ginza district of Tokyo for around FRF 450 million. It plans to open a Hermès flagship in 1999. In the meantime, the impact on Group earnings will be limited to local financial cost.

The next Shareholders Meeting will be asked to approve a dividend per share of FRF 7.50 (FRF 11.25 including tax credit), up 25% (FRF 6 excluding tax credit). This dividend will be paid on Thursday, the 5th of June 1997.

At the same Shareholders Meeting, the shareholders will also be asked to approve an increase in the share capital by incorporation of reserves, to be carried out by raising the par value of each share from FRF 10 to FRF 30, followed by a 3-for-1 stock split, effective the 6th of June 1997, on the basis of which one current share with a par value of FRF 30 will be exchanged for 3 new shares with a par value of FRF 10.

As a result of these transactions, the share capital will be FRF 367 104 930, divided into 36 710 493 shares with a par value of FRF 10.

The Shareholders Meeting is to be held on Thursday the 29th of May 1997.



Handwritten signature or stamp: J.P. 20150



Elandsrand Gold Mining Company Limited
(Incorporated in the Republic of South Africa)
(Registration No. 74/01477/06)
(“Elandsrand”)

Deelkraal Gold Mining Company Limited
(Incorporated in the Republic of South Africa)
(Registration No. 74/01477/06)
(“Deelkraal”)

Joint cautionary announcement

Shareholders are referred to the previous cautionary announcements published by Elandsrand and Deelkraal.

In this regard, shareholders are advised that agreement in principle has been reached whereby Elandsrand will acquire 100% of the share capital of Deelkraal, subject to certain suspensive conditions including, inter alia:

- the satisfactory completion of a due diligence investigation by Elandsrand into the affairs and business of Deelkraal;
- settlement between Elandsrand and Deelkraal of the terms of a proposed Scheme of Arrangement between Deelkraal and its shareholders, presently envisaged to result in the shareholders of Deelkraal being issued with 20 new Elandsrand ordinary shares for every 100 Deelkraal ordinary shares held. Deelkraal would thereby become a wholly-owned subsidiary of Elandsrand and would subsequently be delisted;
- shareholders of Deelkraal approving the proposed Scheme of Arrangement and passing the shareholders' resolutions necessary to implement the proposed scheme;
- the sanctioning of the Scheme by the High Court of South Africa;
- the shareholders of Elandsrand approving the necessary increase in Elandsrand's authorised share capital;
- the approval of the Johannesburg Stock Exchange, Securities Regulation Panel, the London Stock Exchange and Deelkraal's external advisers.

Gold Fields of South Africa Limited and its wholly-owned subsidiary Gold Fields Mining and Development Limited collectively hold 49.2% of the shares in Deelkraal and have indicated that, subject to their being satisfied with the Scheme of Arrangement to be proposed by Elandsrand, they will vote in favour of the Scheme of Arrangement.

The due diligence investigation is expected to be completed on or about 18 April 1997, at which time a further announcement will be made. Shareholders are therefore urged to continue to exercise caution in their dealings in Elandsrand and Deelkraal shares.

Johannesburg
26 March 1997

Sponsoring broker to Elandsrand

Sponsoring broker to Deelkraal

SMITH BORKUM HARE
MEMBER OF THE HARBOR GROUP
SMITH BORKUM HARE (PTY) LTD
255111 of 101 JARVIS STREET, JOHANNESBURG
Registration Number: 75/101/17

FERGUSON BROS.
— Established 1995
A division of Investors Securities Limited
Incorporated in the Republic of South Africa
Member of the Johannesburg Stock Exchange

anglogold

A MEMBER OF THE GOLD FIELDS GROUP

This notice is issued in compliance with the requirements of the London Stock Exchange Limited ("the London Stock Exchange"). It does not constitute an offer or invitation to the public to subscribe for or purchase any shares. Application has been made to the London Stock Exchange for all of the Ordinary Shares, issued and to be issued, in United Overseas Group plc to be admitted to the Official List. It is expected that listing will become effective and that dealings in the Ordinary Shares will commence on 8 April 1997.

United Overseas Group plc

(Incorporated in England and Wales under the Companies Acts 1985 (as amended), No. 3326696)

Placing of

40,807,984 Ordinary Shares of 10p each at 50p per share

Admission to the Official List

sponsored by

Marshall Securities Limited

The Group provides a specialist service to manufacturers of branded consumer goods by acquiring and distributing excess inventory, often in large volumes. The Group provides customers with opportunities to purchase quality branded goods at prices which enable them to achieve attractive margins.

Share capital

The share capital of the Company following the Placing will be:

Number	£	Issued and fully paid	Number	£
163,000,000	16,300,000	Ordinary Shares of 10p each	119,312,000	11,931,200

Copies of the prospectus dated 26 March 1997 relating to the Company may be obtained during normal business hours (Saturdays and public holidays excepted) until 2 April 1997 by collection only from the London Stock Exchange, Old Broad Street, London EC2N 1HP and until 9 April 1997 from:

United Overseas Group plc
United House
Celia Road, Woodson
Peterborough
Cambridgeshire PE2 9JD

Marshall Securities Limited
Crusader House
145-157 St John Street
London EC1V 4JQ

This advertisement is issued by Marshall Securities Limited, a member of the London Stock Exchange and regulated by The Securities and Futures Authority Limited.

27 March 1997

CONTRACTS & TENDERS

PETROBRAS
PETROBRAS
BOLIVIA - BRAZIL GAS PIPELINE
INTERNATIONAL COMPETITIVE BIDDING
NOTICE

PETROBRAS S.A. - PETROBRAS, shall contract through the Bidding Documents n° 578-9-015-97 and 578-9-016-97 the construction, technical inspection, services of fabrication and delivery of materials and equipment for the Brazilian and Bolivian Sectors of the Bolivia - Brazil Gas Pipeline.

From March 21, 1997 on, interested Bidders, may obtain the Bidding Documents through the payment of a non-refundable amount of US\$ 500.00 (Five hundred dollars) for each Bidding Document on behalf of Petrobras Brasileiro S.A. - Petrobras, Banco do Brasil, branch PETROBRAS - RJ (Cidade n° 3190-1), account n° 377.100-4 or consult these documents without any expense at the following address:

BRAZIL: PETROBRAS S.A. - PETROBRAS
SEGEN / GASBOL
Rua General Carneiro, 500 - 6° andar
CEP 20271-201 - Maracanã - Rio de Janeiro - RJ - Brazil

FOKUS Bank

Fokus Bank A.S.
US\$75,000,000
Subordinated Floating rate
notes due 2004

Notice is hereby given that for the interest period 27 March 1997 to 30 September 1997 the notes will carry an interest rate of 7.025% per annum and that the interest payable on the relevant interest payment date 30 September 1997 will amount to US\$3,649,100.00 (note and US\$3,649.10 per US\$1,000,000 note).

Agent: Morgan Guaranty Trust Company
JPMorgan

COMPANIES AND FINANCE: UK

Caradon to pay out £174m

By Andrew Taylor,
Construction Correspondent

Caradon, the building materials conglomerate, plans to return £174m (£876.7m) - about a tenth of the group's £1.76bn market value - to shareholders.

The capital reorganisation is the latest in a series of cash distributions by companies designed to avoid tax burdens on share buy-backs imposed in the last budget. The move was announced as Caradon reported a 33 per cent rise in pre-tax profits to £152.5m in 1996. The shares rose 1 1/4 to 256p.

Mr Peter Jansen, Caradon's chief executive, said the reorganisation would return value to shareholders, increase earnings per share and improve the group's financial efficiency.

Shareholders are being offered nine new ordinary shares and 254 new redeemable B shares for every 10 their own. Holders of every convertible preference would



Peter Jansen: raised £220m last year from European disposals

receive nine new convertible preference shares and 128 B shares for every 10.

The B shares will have limited voting rights and receive a net dividend of 77 per cent of the London Interbank offered rate (Libor).

Caradon said shareholders would be able to redeem B shares at the £1 nominal value, free of dealing costs.

Similar schemes have been announced by Wassall, Yorkshire Water and Southern Electric. Severn Trent water

company also plans a similar scheme. SBC Warburg has advised Caradon, Wassall, Yorkshire Water and Southern Electric.

Caradon's share price has suffered in recent years as UK and continental Euro-

pean construction markets have slumped during the recession. Last year it embarked on sales of non-core assets to refocus its operations on its building material interests.

Mr Jansen said yesterday: "We raised about £220m last year from selling non-core European businesses, as well as achieving £66m of savings in our continuing operations. We think it right that some of these benefits should be paid directly to shareholders."

The group has reduced its labour force by 6,000 to 20,000 since autumn 1995 as a result of closures and disposals. The savings helped operating profits from continuing operations climb to £157.8m (£101.2m).

Disposals and closures resulted in net exceptional charges of £25.7m, offset by the release of deferred tax of £23.5m. Non-core assets still to be sold include some North American engineering interests.

Dana placing to raise £27.9m

By Robert Corzine

Dana Petroleum, the mainly Russian oriented explorer, is raising a net £27.9m (£44.4m) through a placing and open offer of more than 185m new shares, priced at 21 1/2p each.

The company, which yesterday reported a pre-tax loss of £890,179 for 1996 from £52,562 turnover, is to use the funds to exercise options allowing it to expand shareholdings in three Russian companies involved in oil field developments in western Siberia. The funds are also earmarked for drilling expenses at the fields and other development expenditure, according to Dana.

Last year the company raised £17.4m to accelerate development of its Russian interests. On December 31 it had £9.5m left.

The placing and offer is the latest in a string of fund raising exercises by small western oil companies operating in the former Soviet Union.

Mr Charles Smith, Dana's chairman, said the proposed acquisitions "will substantially increase our proven and probable reserves." These would rise from just over 34m barrels to 94m barrels after the exercise of the options.

Upon completion of the acquisitions Dana would have "explicit board control" of the Russian joint ventures to develop the South Vat-Yoganskoye and Sortymkoye developments.

The company's decision to double its holding in a third company, Evikho, to 10 per cent, will not be reflected in the reserve figures until Royal Dutch/Shell, the field's operator, formally approves a development plan, perhaps by mid-year.

Although Dana's focus remains on Russia, the company has recently entered an agreement to develop offshore acreage in Ghana. Mr Cross said the African expansion has the full backing of its Russian partners, which include Lukoil, the biggest Russian oil company, and Yukos. Dana expects the Russian companies to increase their activities in west Africa, possibly in conjunction with Dana.

The offer is underwritten by Guinness Mahon and UBS.

RESULTS

				Pre-tax profit	EPS (p)	Current dividend (p)	Date of payment	Dividends corresponding dividend	Total for year	Total net year		
				Turnover (£m)								
Arrol-Johnston	Yr to Jan 31	89	(86.8)	6.8	(5.43)	29.5	(20.7)	7.25	June 30	6.25	11	9.5
Avening	Yr to Dec 31	83.45	(79)	1.08	(5.21)	3.85	(12.52)	1	May 30	1	1	1
Bellway (Hse)	Yr to Dec 31	24.3	(21.9)	0.742	(0.392)	4.83	(2.41)	1	June 20	0.75	1.3	1.05
Barratt Devs	6 mths to Dec 31	311.2	(277.2)	24.8	(18.1)	71	(6.5)	3	May 23	2.75	-	8.25
Broomfield	Yr to Dec 31	11	(8.75)	18.5	(8.88)	33.81	(10.8)	7.5	July 1	0.75	14	14
Black (A&S)	Yr to Dec 31	7.23	(7)	0.568	(0.594)	22.8	(25.7)	8.75	July 1	0.75	14	14
Brake Bros	Yr to Dec 31	392.7	(469.3)	24.1	(22.1)	30.2	(34.7)	7.5	July 1	3.025	5.8	9.5
Bridson	Yr to Dec 31	381.5	(333.9)	7.77	(6.036)	6.71	(1.8)	3.75	May 27	2.4	4.2	3.8
British Filings	Yr to Dec 31	79.1	(76.4)	3.574	(3.11)	7.94	(7.25)	2.85	June 6	6.8	9.5	9.5
Caradon	Yr to Dec 31	21.13	(2.094)	182.54	(114.34)	15.8	(9.2)	6.8	June 6	6.8	9.5	9.5
Canary Wharf	Yr to Dec 31	25.7	(25.5)	2.84	(4.84)	0.293	(0.036)	1.45	May 8	3.35	6.15	5.1
City Technology	8 mths to Dec 31	8.9	(7.88)	3.45	(2.8)	4.72	(5.9)	3.3	May 29	3.15	5.5	5.25
Clifton Cards	6 mths to Dec 31	63	(55)	109.8	(5.22)	(3.24)	(17.57)	6.55	July 1	6.1	10	8.35
CLE	Yr to Dec 31	31.7	(27.8)	10.3	(8.26)	8.77	(7.8)	3.3	May 29	3.15	5.5	5.25
Croft Int	Yr to Dec 31	447.6	(458.8)	42.94	(25.34)	21.9	(10.3)	6.55	July 1	6.1	10	8.35
Dana Petroleum	Yr to Dec 31	0.052	(-)	0.881	(0.893)	0.211	(0.37)	4	May 30	4	6	6
Devergroup	Yr to Dec 31	54.3	(74.1)	9.27	(10.64)	18.5	(22.8)	4	May 30	4	6	6
Falcon	Yr to Dec 31	22.1	(20.9)	4.41	(4.13)	11.2	(13.6)	3	May 15	4	4.6	6
Gleeson (H&L)	6 mths to Dec 31	101	(90.9)	3.77	(3.48)	24.79	(22.87)	4.03	June 30	3.75	-	18.06
Healthcare	Yr to Dec 31	53.3	(52.2)	5.35	(7.85)	6.3	(9.2)	3.3	May 13	3.3	4.95	4.95
Harvey Smith	Yr to Dec 31	91.3	(80.2)	4.02	(3.194)	12	(10.2)	7	July 2	7	12	11
Johnson Group	Yr to Dec 31	151.1	(137.8)	5.654	(8.2)	30.94	(38.73)	7.5	July 2	7	12	11
James Group	Yr to Dec 31	99.8	(96.7)	11	(11.14)	8.6	(1.2)	8.6	July 1	8.6	12	11
Just Q	Yr to Dec 31	24.3	(18.3)	0.213	(0.312)	0.111	(0.3)	1.13	June 2	1.13	-	-
Lavender	Yr to Dec 31	13.2	(8.85)	2.71	(1.8)	13.78	(10.66)	1.13	June 2	1.13	-	-
Mackie Int	Yr to Dec 31	17.7	(22.7)	0.4374	(3.27)	4.81	(30.5)	8	May 29	3.7	3.7	11
Mackie	Yr to Dec 31	55.1	(35.5)	6.854	(2.254)	1.5	(-)	3.6	May 29	3.6	-	-
Mackie	8 mths to Jan 31	323.3	(269.3)	28.1	(21.5)	19.87	(19.2)	6.5	July 1	6	3.5	11
Metaco	Yr to Dec 31	63	(64.9)	3.44	(1.594)	14.9	(5.25)	2.8	July 2	2.2	4	3.3
West	Yr to Feb 1	946.8	(773.8)	158.87	(119.97)	31.5	(28.2)	10	July 1	8	15	11.75
Nichols (H)	Yr to Dec 31	72.6	(65.4)	9.77	(8.61)	16.773	(15.86)	4.85	May 19	4.3	7.1	6.83
Proven	8 mths to Dec 31	26	(22.2)	0.1814	(0.135)	14	(1.2)	4.25	June 19	3.75	7	6.25
Quake	Yr to Dec 31	35.4	(32.5)	5.27	(4.387)	14.5	(12.5)	4.25	June 13	3.75	7	6.25
Rutherford	Yr to Dec 31	211.5	(239.9)	1.214	(8)	0.3	(10.4)	4.25	June 2	4.2	6.1	6.1
Russell (A&C)	Yr to Dec 31	38.9	(38.1)	2.83	(3.11)	6.31	(6.94)	1.8	May 30	1.8	2.7	2.7
Spring Run	Yr to Dec 31	297.7	(300)	36.84	(43.64)	8.2	(8)	1.5	June 4	1.5	2.5	2.5
Swan Hill	Yr to Dec 31	345.2	(352.1)	3.871	(7.814)	7.41	(11.3)	1.5	June 4	1.5	2.5	2.5
Thorne (H)	6 mths to Dec 31	11.3	(10.8)	1.21	(1.2)	6.29	(6.25)	1.57	May 13	1.33	4.15	4.15
TLS	Yr to Dec 31	32.4	(40.8)	5.81	(6.15)	9.57	(7.8)	2.3	May 23	1.85	3.4	2.7
UK Safety	Yr to Dec 31	30.2	(27.5)	0.4954	(1.4)	1.3	(3.71)	0.8	May 23	0.8	0.8	0.8
Unicom Int	Yr to Dec 31	102.1	(104.4)	7.31	(6.03)	18.87	(24.8)	4.1	July 8	4.1	6.15	-
Whitson	Yr to Dec 31	85.8	(81.3)	12.1	(8.86)	33.14	(23.5)	8.8	May 18	7.8	12.8	11.8
Wolfschlaue Bank	Yr to Dec 31	86.5	(75.8)	5.514	(7.53)	44.5	(45.1)	16	May 16	16	25.5	24
World of Leather	Yr to Dec 31	32.2	(29.2)	1.03	(0.517)	4.7	(4.5)	1.15	Apr 18	0.85	2	1.6

Investment Trusts	NAV (p)	Assets/Share Earnings (Dn)	EPS (p)	Current dividend (p)	Payment	Dividend	year	year
BZW Endow II	46.2	(-)	0.958L	(-)	3.8L	(-)	2	June 12
Five Arrows Cities	323	(390)	3.57	(4.66)	4	(5)	2	June 12

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. All in currency, n/ Comparative listed. After exceptional charge. After

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period, British currency. *Comparatives included. **After exceptional charges. ***After exceptional credit. †On increased capital. ‡Foreign income dividend. §Ann stock. ¶Comparatives pro forma. ††On reduced capital. §US currency.

GA makes NZealand disposal

General Accident, the composite insurer, has taken another step towards concentrating its life assurance operations on the UK market with the sale of its New Zealand life business for NZ\$163.3m (£111.3m) to Prudential, writes Christopher Adams.

The group has no plans to sell its general insurance operation in New Zealand which earned NZ\$300m in premium income last year, three times the turnover of the life arm.

"Our plan is to focus on the UK and to use the UK to sell into Europe on a branch basis," said Mr Philip Twyman, group finance director. GA is also planning to sell its life business in Puerto Rico, which is valued at \$100m.

Prudential this week won the three way auction for Scottish Amicable, the UK life insurer, with its £2.87bn bid.

Recovering HFC pays its parent

By George Graham

HFC Bank, the credit card and personal loan group which operates the British Gas Goldfish card, is to pay its first dividend to Household International, its US parent, since it ran into bad debt trouble at the end of the 1980s.

HFC will distribute £14.2m (£22.6m) to Household after boosting pre-tax profits by 38 per cent to £54.9m last year, its fourth consecutive year of improving outcomes. Its problems culminated in a loss of £23.2m in 1992.

Mr Adrian Hill, chief operating officer, said he believed the business could grow at a compound rate of 10-15 per cent a year while remaining conservative in

its lending. "You'd expect with our history that we'd have learnt to be very careful about credit quality."

HFC's main business in the UK remains the provision of personal loans through its 141 branches, as well as finance offered through retailers such as PC World.

Starting with the General Motors credit card in 1994, HFC has more than 1m cards in issue, and Mr Hill expects that to double by the end of this year. About 650,000 of those are GM cards and customers have used accumulated bonus points on them to help buy 40,000 Vauxhall cars.

It is estimated that about 350,000 British Gas Goldfish cards have been issued.

ARROW VENTURES N.V.

NOTICE OF REPURCHASE OF SHARES

March 20, 1997

On behalf of the Board of Supervisory Directors of Arrow Ventures N.V. ("the Company"), we are pleased to provide you with notice of an offer by the Company to repurchase up to 574,000 of the Company's 1,601,479 outstanding shares of one U.S. cent par value each ("the Offer"). The Offer is open to all holders of shares of the Company registered in the Register of Shareholders of the Company at 12 noon on February 28, 1996 ("the Record Date").

The redemption of shares by the Company will follow an aggregate distribution of \$9.0 million by Arrow Partners C.V. (the "Partnership") to its partners, including \$7.2 million to Arrow Ventures N.V. The Investment Advisor has determined the amount of the distribution to be prudent given the partnership's current liquidity.

Pursuant to the Offer, the Company offers to repurchase a maximum of 574,000 shares at a price of U.S.\$12.39 per share (the "Purchase Price") payable in cash. The Purchase Price represents the unaudited net asset value per share of the Company as at February 28, 1997. Of the total amount received from the Partnership, the Company shall retain US\$88,140 to fund its ongoing expenses.

If you desire to accept this Offer, you should lodge with Caribbean Management Company N.V. ("Caribbean") at 14 John B. Gonzálezweg, P.O. Box 3889, Willemstad, Curaçao, Netherlands Antilles, share certificates representing your shares of the Company and you should indicate the number of shares tendered by you for repurchase by the Company.

Capital Markets News Digest
Euro-linked bond
issuance surges

ing data were weaker than expected. The consumer price index fell by 0.1 per cent in March, against expectations of a 0.1 per cent rise. The annual growth rate slowed to 1.6 per cent.

Also, the shape of the yield curve made the 10-year paper look cheap relative to other maturities. Mr. Kevin Adams, gilts analyst at EZW, said investors could pick up around 8 basis points in yield by selling a combination of five-year and 20-year gilts, and buying the 10-year bonds instead.

Joseph Liro of CIBC Wood Gundy.

Also weighing on the market was an afternoon auction of \$13.75bn in five-year notes. Existing five-year notes were off $\frac{1}{8}$ at 98 $\frac{1}{8}$ to yield 6.656 per cent.

European markets were dragged down from their

Italian bonds performed strongly. In London, the June BTP future settled at 125.38, up 0.17, while in the cash market the 10-year bond yield spread over bunds tightened 3 basis points to 184 points.

The EIB also had the distinction of being the first issuer to launch a euro-denominated bond with a €1bn offering

	Amount	Coupon %	Price	Maturity	Yield %	Spread bp	Book-runner
■ US DOLLARS							
Export of Denmark(s)	400	5.50%	98.13	Apr 2000	0.20		Yamatoh Ltd (Europe)
Swedish Export Credit	70	3.00%	100.00	Apr 2000	0.10		Mikko Securities
Banque de la Mediterranée	50	9.25%	100.00%	Apr 2002	0.10%	~250bps(10-02)	Paribas Capital Markets
■ D-MARKS							
Geotec	250	4.62%	92.44%	Dec 2001	0.25%	~850bps(10-02)	Paribas Capital Markets
■ FRENCH FRANCS							
African Development Bank	500	(a)	100.225%	Apr 2007	0.325%		OCF
■ ITALIAN LIRE							
Pennest	350bn	(b)	90.75%	Apr 2004	0.55%		JP Morgan Securities
ING Bank	200bn	(c)	100.220%	Apr 1999	0.35		Bull Bank Luxembourg
Orco Postepostcom(s)	1000n	7.50	100.07	Dec 2006	2.00		BNL/Credito
■ FINNISH MARKKA							
Vaestabank	10bn	6.427	100.00	Sep 2000	undist		Argentaria
■ EURO							
Credit Local de France(s)	100	5.625	101.72	Dec 2002	1.875		BSL
■ NEW ZEALAND DOLLARS							
Deutsche Bank Finance	100	6.00	100.725	Apr 2002	1.375		DMG/Toronto Dominion
■ RAND							
EBRD(s)	2bn	zero	6.945%	Apr 2017	0.15%		Toronto Dominion Bank
EBRD(s)	1bn	zero	2.70%	Apr 2027	0.10%		Toronto Dominion Bank
International Finance Corp	100	14.75	99.83%	Apr 2009	0.25%		Toronto Dominion Bank
■ CZECH KORUNA							
Oesterreichische Kontrollbank	1bn	10.25	100.00%	Apr 2001	0.25%		Creditanstalt-Giroverw.
Deutsche Bank (Neths)	750	10.50	99.25%	Apr 2001	0.30%		Deutsche Morgan Grenfell

Final terms, non-callable unless stated. Yield spread (over gov bond) at launch supplied by lead manager. *Unitized. 2. Floating-rate note. 3. Semi-annual coupon. 4. Bond or offer price. 5. Issued as at 10/10/99. 6. 10/10/99. 7. 10/10/99. 8. 10/10/99. 9. 10/10/99. 10. 10/10/99. 11. 10/10/99. 12. 10/10/99. 13. 10/10/99. 14. 10/10/99. 15. 10/10/99. 16. 10/10/99. 17. 10/10/99. 18. 10/10/99. 19. 10/10/99. 20. 10/10/99. 21. 10/10/99. 22. 10/10/99. 23. 10/10/99. 24. 10/10/99. 25. 10/10/99. 26. 10/10/99. 27. 10/10/99. 28. 10/10/99. 29. 10/10/99. 30. 10/10/99. 31. 10/10/99. 32. 10/10/99. 33. 10/10/99. 34. 10/10/99. 35. 10/10/99. 36. 10/10/99. 37. 10/10/99. 38. 10/10/99. 39. 10/10/99. 40. 10/10/99. 41. 10/10/99. 42. 10/10/99. 43. 10/10/99. 44. 10/10/99. 45. 10/10/99. 46. 10/10/99. 47. 10/10/99. 48. 10/10/99. 49. 10/10/99. 50. 10/10/99. 51. 10/10/99. 52. 10/10/99. 53. 10/10/99. 54. 10/10/99. 55. 10/10/99. 56. 10/10/99. 57. 10/10/99. 58. 10/10/99. 59. 10/10/99. 60. 10/10/99. 61. 10/10/99. 62. 10/10/99. 63. 10/10/99. 64. 10/10/99. 65. 10/10/99. 66. 10/10/99. 67. 10/10/99. 68. 10/10/99. 69. 10/10/99. 70. 10/10/99. 71. 10/10/99. 72. 10/10/99. 73. 10/10/99. 74. 10/10/99. 75. 10/10/99. 76. 10/10/99. 77. 10/10/99. 78. 10/10/99. 79. 10/10/99. 80. 10/10/99. 81. 10/10/99. 82. 10/10/99. 83. 10/10/99. 84. 10/10/99. 85. 10/10/99. 86. 10/10/99. 87. 10/10/99. 88. 10/10/99. 89. 10/10/99. 90. 10/10/99. 91. 10/10/99. 92. 10/10/99. 93. 10/10/99. 94. 10/10/99. 95. 10/10/99. 96. 10/10/99. 97. 10/10/99. 98. 10/10/99. 99. 10/10/99. 100. 10/10/99. 101. 10/10/99. 102. 10/10/99. 103. 10/10/99. 104. 10/10/99. 105. 10/10/99. 106. 10/10/99. 107. 10/10/99. 108. 10/10/99. 109. 10/10/99. 110. 10/10/99. 111. 10/10/99. 112. 10/10/99. 113. 10/10/99. 114. 10/10/99. 115. 10/10/99. 116. 10/10/99. 117. 10/10/99. 118. 10/10/99. 119. 10/10/99. 120. 10/10/99. 121. 10/10/99. 122. 10/10/99. 123. 10/10/99. 124. 10/10/99. 125. 10/10/99. 126. 10/10/99. 127. 10/10/99. 128. 10/10/99. 129. 10/10/99. 130. 10/10/99. 131. 10/10/99. 132. 10/10/99. 133. 10/10/99. 134. 10/10/99. 135. 10/10/99. 136. 10/10/99. 137. 10/10/99. 138. 10/10/99. 139. 10/10/99. 140. 10/10/99. 141. 10/10/99. 142. 1

Elsewhere, Deutsche Bank Finance kept Belgian retail investors happy with an 8 per cent coupon in New Zealand dollars. The NZ\$100m

five-year offering was also distributed to Swiss and German investors, said joint leads Deutsche MG and Toronto Dominion.

The Chicago Board Options Exchange on April 9 will list options on an index of the "nifty fifty" - 50 multinational companies based in the US that have led the US equity market in earnings this year. The companies derive a large portion of their earnings from foreign income, and have cash-flows denominated in multiple currencies. The index, formally known as the Morgan Stanley Multinational Index, is weighted more heavily toward foods, drugs, electronics, and business machines than the broader US market.

■ BUND FUTURES OPTIONS (LEED) DM250,000 points of 100%

Spain									
		CALLS				PUTS			
Strike	May	Jun	Jul	Sep	May	Jun	Jul	Sep	
100000	0.72	0.11	0.75	1.08	0.49	0.78	1.45	1.78	
100500	0.46	0.73	0.58	0.87	0.73	1.00	1.78	2.07	
101000	0.26	0.51	0.41	0.68	1.03	1.28	2.11	2.92	
Est. vol. total, Calls 26350 Puts 10755. Previous day's open int. Calls 182991 Puts 200115									
Italy									
■ NATIONAL ITALIAN GOV'T. BOND (BTP) FUTURES									
(OFFER) Lira 200m Notional of 100%									
		CALLS				PUTS			
Strike	Jun	Jul	Sep	Oct	Jun	Jul	Sep	Oct	
Open	194.75	125.38	+0.17	125.67	124.58	68.96	107.00	107.00	
High	194.53	125.43	+0.17	125.50	125.50	14	39.92		
■ NATIONAL ITALIAN GOV'T. BOND (BTP) FUTURES (OFFER) Lira 200m Notional of 100%									
		CALLS				PUTS			
Strike	Jun	Jul	Sep	Oct	Jun	Jul	Sep	Oct	
12800	1.46	2.83	1.46	2.80					
12850	1.56	2.54	1.68	2.61					
12900	1.30	2.30	1.52	2.87					
Est. vol. total, Calls 6980 Puts 5137. Previous day's open int. Calls 93348 Puts 103040									
Spain									
■ NATIONAL SPANISH BOND FUTURES (MEFF)									

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	109-03	109-07	-0-10	109-18	108-30	83701	178698
Sep		108-26	-0-09				0

IONS

111	0-17	0-58	0-81	1-16	2-03	2-24	2-53	3-28
Est. vol. total, Cals 236 Puts 1145. Previous day's open int., Cals 64394 Puts 22844								
EURO								
■ EU BOND FUTURES (MATF) \$100,000's								
	Open	Sett price	Change	High	Low	Est. vol.	Open int.	
Jun	93.20	93.84	+0.14	93.70	93.10	2,820	4,997	
U.S.								
■ U.S. TREASURY BOND FUTURES (CBT) \$100,000's 32nds of 100%								
	Open	Latest	Change	High	Low	Est. vol.	Open int.	
Jun	108-26	108-14	-0-09	108-28	108-09	148,676	426,273	
Dec	108-11	107-81	-0-10	108-12	107-28	2,304	30,278	
Sep		107-28	-	-	107-24	200	5,252	

DIFFER DM250 000 100ths of 100%

NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (JFFE) ¥100m 100ths of 100%							
	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	125.94			125.98	125.88	2385	n/a
Sep	124.88			124.88	124.80	35	n/a

Year	Price	2 + w	—	52 weeks	Low	High	Year		Price	2 + w	—	52 weeks	Low	High
							(1)	(2)						
83	10029	-	1074	96.5			Index—United States							
							4*Jan 1983	(135.0)						
82	10100	-	1074	96.5			1*Jan 82		2.28	1193	-	1145	1118	
81	10100	-	1074	96.5			2*Jan 81	(78.3)	2.78	140	169.9	-	1872	177.6
80	10100	-	1074	96.5			3*Jan 80	(76.3)	3.58	5.48	191.8	-	193	177.6
79	1062	-	1193	101.3			4*Jan 79	(73.8)	2.08	2.0	117.9	-	193	177.6
78	98	97.12	-	1028	97.4		5*Jan 78	(76.3)	3.21	3.2	181	-	1851	181
77	1106	-	1143	103.3			6*Jan 77	(88.3)	1.52	1.5	171.6	-	1776	162.1
76	1106	-	1143	103.3			7*Jan 76	(74.3)	2.08	2.0	177.9	-	1776	162.1
75	1028	-	1074	96.5			8*Jan 75	(81.3)	3.41	3.0	180	-	180	162.1
74	873	-	901	81.2			9*Jan 74	(88.3)	3.84	3.82	132.5	-	1812	149.4
73	1106	-	1143	103.3			10*Jan 73	(88.3)	3.51	3.58	149.4	-	1776	162.1
72	1106	-	1143	103.3			11*Jan 72	(87.3)	3.52	3.88	197.9	-	1776	162.1
							4*Jan 72	(95.3)	3.52	3.88	121.5	-	1285	114.8

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%.

4* Figures in parentheses show FPI rates for indexing in (1) monthly price for July 1982 and (2) monthly price for July 1983. The rate is calculated by dividing the FPI by 100 in July 1982. Conversion from 3.04% FPI to July 1982: 1.024 and for February 1987: 155.0.

1012 9741

		Notes			Yield	32 weeks	
		Int	Price	2 + n	High	Low	
Action Dec 10-15c 2008							
		0.03	7.80	1173	122	1151	
Trans 11-15c 2012							
		0.01	1.60	120	187		
		0.01	120	120	187		
Diamond 3-3c 2010							
		0.33	42d	63	38	37	
		0.33	38	38	37		
Mortgage 11-15c 2007							
		0.16	7.80	120	127	117	
		0.40	100	100	127		
4-4c 10-15c 2007							
		4.22	144	142	142	138	
4-4c 10-15c 2007							
		4.34	150	147	147	131	
4-4c 10-15c 2007							
		12.22	130	130	130	122	

4-4c mid-price are shown in pounds per \$100 nominal of stock.

Deutsche Bank AG 1 1/2 04	2500	100 1/2	11 1/2
Deutsche Finance 5 1/2 04	2500	101 1/2	11 1/2
Deutsche L&C 1 1/2 04	2500	100 1/2	11 1/2

[illegible]

* 'Tap' stock. ‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock, unless otherwise stated. Dividend yields are calculated by HSBC Greenwell from Bank of England closing prices.

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COMMODITIES AND AGRICULTURE

Anglo gives go-ahead to two projects

By Mark Ashurst in Johannesburg

Anglo American, South Africa's biggest corporation, is to go ahead with two substantial strategic investments at operations in its domestic market.

The new projects, at Namakwa Sands mineral processing plant and Elandsrand gold mine, follow months of uncertainty sparked by technical problems at Namakwa Sands and difficult negotiations between Anglo and the owners of the Elandsrand gold mine adjacent to Deelkraal.

Anglo said yesterday it would invest R1.2m (\$272m) to build a second

and ilmenite smelting furnace and increase production at Namakwa Sands' Saldanha Bay plant. The expansion will be funded entirely by Anglo, which holds an 80 per cent equity stake in Namakwa Sands, and its associate De Beers, which holds the balance.

The group had not sought assistance from the Industrial Development Corporation, a parastatal development agency which in 1992 loaned R370m to fund the initial Rbn development of Namakwa Sands. Construction will begin immediately and the expansion is expected to be completed by April 1998.

Anglo said output of titanium dioxide slag would increase from 97,000 tonnes a year to about 236,000 tonnes when full production is reached in 2001.

Annual production of pig iron will rise from 56,000 tonnes to 130,000 tonnes, and secondary production of zircon and rutile would increase to 140,000 tonnes and 42,000 tonnes, respectively.

The additional output is destined for export and could boost export earnings to R750m a year, subject to fluctuations in commodity prices and the value for the rand.

The group also announced that AngloGold, the gold mining divi-

sion, has agreed to merge its low-cost Elandsrand gold mine with the adjacent Deelkraal mine controlled by Gold Fields of South Africa. The move is further evidence of a realignment in the gold industry, as rival mining houses have begun to co-operate in a common battle against rising costs at deep-level mines.

The deal follows protracted negotiations between Anglo, which owns 26 per cent of Gold Fields, GFSA Holdings, which is controlled by Gold Fields' management, and Rembrandt, the mining and industrial group controlled by South Africa's Rupert family.

The merger will enhance the prospects for the creation of a new Anglo mine, Western Ultra Deep Levels, a "blue sky" project to mine the same ore body at depths of up to 5km.

Subject to approval by minority shareholders, Deelkraal will become a subsidiary of Elandsrand, which will acquire the entire share capital for about R420m. Deelkraal will be delisted and shareholders will receive 20 Elandsrand shares for every 100 Deelkraal shares held. This is a premium of 25 per cent on the basis of Deelkraal's market performance since negotiations began seven months ago.

Copper claim RTZ-CRA sells mine to BHP repeated

MARKETS REPORT

By Kenneth Gooding, Robert Corzine and Gary Mead

The World Bureau of Metal Statistics, which in November caused uproar in the copper market by suggesting there were large stocks of copper in Rotterdam not reported in official statistics, yesterday repeated the claim - but this time with the benefit of revised figures from the Dutch Central Bureau of Statistics.

Mr Lloyd Davies, general manager of the WBMS, on which many analysts rely for data, said a review of the revised statistics for the three years to 1995 inclusive showed more than 90,000 tonnes of unreported copper in the Netherlands.

He suggested it was reasonable to assume there was also a build up of unreported stock in 1991 and 1992. "Our conclusion, therefore, is that at the end of 1995 there was about 100,000 tonnes of refined copper previously unreported in bonded warehouses in the Netherlands."

The statement came at the end of a thin day's trading on the London Metal

Exchange. Copper for delivery in three months was down \$24 a tonne at \$2,353 in late trading.

Coffee prices rebounded after buying which analysts attributed to covering ahead of the long weekend and a price jump of 10 per cent in New York on Tuesday.

May robusta prices opened in London \$95 higher at \$1,665 a tonne, rebounding from a low of \$1,515 earlier this week. May futures rapidly reached a high of \$1,575 before falling back \$22 to \$1,640 by midday. The May contract closed \$60 higher on the day at \$1,627.

Yesterday's London surge came on the heels of gains in New York on Tuesday, where May futures rose 10 per cent on the day to \$1.79 a pound; in New York late-morning trading yesterday robusta rose to \$1.89 a pound, with traders saying the key barrier of \$2 might soon be breached.

Crude oil futures firmed in late trading in spite of problems placing surplus North Sea supplies. Brent Blend for May delivery was \$19.73 in late trading on London's International Petroleum Exchange, 19 cents up on Tuesday's close.

By Nikki Tait in Sydney

Broken Hill Proprietary, the Australian resources group, is to buy the West Cliff coal mine in New South Wales from RTZ-CRA, the London-based mining company, for an undisclosed sum. The mine is adjacent to BHP's Appin coal mine, which is used mainly to feed its Port Kembla steelworks.

West Cliff was the last remaining asset in RTZ-CRA's troubled Kembla Coal & Coke subsidiary, which will now cease to operate. BHP said yesterday annual production at the mine stands at about 1.5m tonnes a year.

Meanwhile, Hamersley Iron, RTZ-CRA's big iron ore subsidiary in Western Australia, announced yesterday that it had secured a significant "land use" agreement with local Aboriginal groups in the central Pilbara region, which should allow its planned A\$500m (US\$319m) Yandiocogina mine development to go ahead later this year.

The agreement covers 26,000 sq km and involves 13 registered native title claimants; traditional owners from the Bunjima, Niapiili and Innawonga language groups; and the Gumatj Aboriginal Corporation. These have agreed to sup-



RTZ-CRA's Hamersley Iron: has reached deal with Aboriginal groups

port the project in return for a variety of commitments by Hamersley, ranging from land access to assistance with pastoral operations. Hamersley will also make payments to special purpose trusts. It said yesterday that the total benefits could be

in excess of A\$50m over a 20-year period. The mine still needs board approval, and some minor regulatory approvals. The company also needs to build an additional 150km of rail track, so that ore can be shipped via Marandoo mine

to the port at Dampier. But if all goes smoothly, Yandiocogina could begin operating by 1999. Annual production has been estimated to reach about 15m tonnes, or about one-fifth of Hamersley's projected annual output at that time.

COMMODITIES NEWS DIGEST

Star Mining in Russian gold deal

Star Mining, a small Australian company, has preserved its interest in Sukhoi Log, Russia's largest gold resource, with about 35m troy ounces, by agreeing to pay US\$30m to acquire 49 per cent of Sukhoi Log Mining, which has been set up to develop a large open-pit mine in Siberia.

Star Mining, a small Australian company, has preserved its interest in Sukhoi Log, Russia's largest gold resource, with about 35m troy ounces, by agreeing to pay US\$30m to acquire 49 per cent of Sukhoi Log Mining, which has been set up to develop a large open-pit mine in Siberia. Rights to the Sukhoi Log project were previously held by Lenzoloto, a Siberian-based gold mining group, in which Star had a 34.9 per cent stake. However, there have been moves recently to restructure the arrangement and reorganise Lenzoloto into a number of separate mining companies. One of these, Sukhoi Log Mining would develop the gold project.

Star said formal agreement on the reorganisation had now been reached with Lenzoloto and the Russian company had given guarantees that the restructuring and the sale of the stake would be completed by April 21. Last November, Star signed a deal with JCI for the South African mining group to acquire a 30 per cent stake in Sukhoi Log for about \$200m. Star said yesterday negotiations with JCI were at an advanced stage and, subject to formal agreement between the two companies, funding for the Sukhoi Log acquisition had been agreed with Standard Bank of South Africa. Standard will provide \$50m on April 21 and subsequently at least \$750m for the development of Sukhoi Log. Nikki Tait, Sydney

Eramet concession in doubt

France has set in motion a procedure that could lead to Eramet, the state-controlled mining group, losing a large nickel mine in New Caledonia to the local Kanak pro-independence movement. Eramet confirmed it had received this week a letter from the High Commissioner of New Caledonia, a French territory in the Pacific, giving the company a month to explain why it had not exploited its Koniambo mining concession for at least 10 years. French mining law stipulates that failure over 10 years to exploit a mine can give the government grounds to revoke the concession. The French authorities have set on this to speed the transfer of Koniambo from Eramet's SNL subsidiary to the Kanak-controlled SNMP company, which wants to use its ore for a refining plant to be built by Falconbridge of Canada. The Kanak political movement is insisting that the mining issue be settled before it will agree to talk to Paris and white political parties in New Caledonia about postponing next year's planned referendum on independence. David Buchan, Paris

Australia acts on wool

Australia's wool farmers, who have struggled with low prices and erratic Chinese demand in recent years, received a welcome break yesterday when the federal government announced it would distribute the reserves of Wool International as soon as possible. Wool International was the body charged with disposing of Australia's large wool stockpile, which built up under an earlier guaranteed pricing scheme. The move is likely to mean that about A\$76m (US\$50m) is returned this year to wool farmers who paid a 4.5 per cent wool tax between mid-1993 and mid-1996, with further sums being paid out over the following three years. Nikki Tait

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amsterdam Metal Trading)

ALUMINIUM, 99.7 PURITY (\$ per tonne)

	Cash	3 mths
Close	1608.5-7.5	1608-40
Previous	1616-7	1616-30
High/Low	1609/161	1609/161
AM Official	1607-8	1604.5-1.0
Kerb close	1631-2	
Open Int.	267,095	
Total daily turnover	34,428	

ALUMINIUM ALLOY (\$ per tonne)

	Close	Previous
1510-23	1540-45	1540-45
1520-23	1545-50	1545-50
High/Low	1539/158	1539/158
AM Official	1512-5	1540-1
Kerb close	1539-8	1539-8
Open Int.	5,848	
Total daily turnover	713	

LEAD (\$ per tonne)

	Close	Previous
887.5-8.5	881-2	881-2
Previous	885-6	885-6
High/Low	880-10	880-10
AM Official	880-2.5	880-2.5
Kerb close	880-1	880-1
Open Int.	38,286	
Total daily turnover	7,883	

NICKEL (\$ per tonne)

	Close	Previous
7530-40	7540-50	7540-50
Previous	7540-50	7540-50
High/Low	7540-50	7540-50
AM Official	7540-45	7540-45
Kerb close	7540-45	7540-45
Open Int.	50,022	
Total daily turnover	21,191	

TIN (\$ per tonne)

	Close	Previous
5900-10	5925-35	5925-35
Previous	5910-20	5910-20
High/Low	5905-35	5905-35
AM Official	5905-15	5905-15
Kerb close	5925-30	5925-30
Open Int.	16,294	
Total daily turnover	4,670	

ZINC, special high grade (\$ per tonne)

	Close	Previous
1273-4	1293-5.5	1293-5.5
Previous	1273-4	1293-5.5
High/Low	1273-4	1293-5.5
AM Official	1274.5-5.0	1294.5-5.0
Kerb close	1294.5-5.0	1294.5-5.0
Open Int.	95,098	
Total daily turnover	14,902	

COPPER, grade A (\$ per tonne)

	Close	Previous
2432-12	2432-12	2432-12
Previous	2432-12	2432-12
High/Low	2432-12	2432-12
AM Official	2432-12	2432-12
Kerb close	2432-12	2432-12
Open Int.	243,435	
Total daily turnover	45,419	

LME ALUMINUM 25% RATE: 1.6210

	Close	Previous
1.6210	1.6210	1.6210
Previous	1.6210	1.6210
High/Low	1.6210	1.6210
AM Official	1.6210	1.6210
Kerb close	1.6210	1.6210
Open Int.	1.6210	
Total daily turnover	1.6210	

LME ZINC 25% RATE: 1.6210

	Close	Previous
1.6210	1.6210	1.6210
Previous	1.6210	1.6210
High/Low	1.6210	1.6210
AM Official	1.6210	1.6210
Kerb close	1.6210	1.6210
Open Int.	1.6210	
Total daily turnover	1.6210	

LME NICKEL 25% RATE: 1.6210

	Close	Previous
1.6210	1.6210	1.6210
Previous	1.6210	1.6210
High/Low	1.6210	1.6210
AM Official	1.6210	1.6210
Kerb close	1.6210	1.6210
Open Int.	1.6210	
Total daily turnover	1.6210	

LME COPPER 25% RATE: 1.6210

	Close	Previous
1.6210	1.6210	1.6210
Previous	1.6210	1.6210
High/Low	1.6210	1.6210
AM Official	1.6210	1.6210
Kerb close	1.6210	1.6210
Open Int.	1.6210	
Total daily turnover	1.6210	

LME GOLD 25% RATE: 1.6210

	Close	Previous
1.6210	1.6210	1.6210
Previous	1.6210	1.6210
High/Low	1.6210	1.6210
AM Official	1.6210	1.6210
Kerb close	1.6210	1.6210
Open Int.	1.6210	
Total daily turnover	1.6210	

LME SILVER 25% RATE: 1.6210

	Close	Previous
1.6210	1.6210	1.6210
Previous	1.6210	1.6210
High/Low	1.6210	1.6210
AM Official	1.6210	1.6210
Kerb close	1.6210	1.6210
Open Int.	1.6210	
Total daily turnover	1.6210	

LME PLATINUM 25% RATE: 1.6210

	Close	Previous
1.6210	1.6210	1.6210
Previous	1.6210	1.6210
High/Low	1.6210	1.6210
AM Official	1.6210	1.6210
Kerb close	1.6210	1.6210
Open Int.	1.6210	
Total daily turnover	1.6210	

LME PALLADIUM 25% RATE: 1.6210

	Close	Previous
1.6210	1.6210	1.6210
Previous	1.6210	1.6210
High/Low	1.6210	1.6210
AM Official	1.6210	1.6210
Kerb close	1.6210	1.6210
Open Int.	1.6210	
Total daily turnover	1.6210	

LME IRIDIUM 25% RATE: 1.6210

	Close	Previous
1.6210	1.6210	1.6210
Previous	1.6210	1.6210
High/Low	1.6210	1.6210
AM Official	1.6210	1.6210
Kerb close	1.6210	1.6210
Open Int.	1.6210	
Total daily turnover	1.6210	

LME RHODIUM 25% RATE: 1.6210

	Close	Previous
1.6210	1.6210	1.6210
Previous	1.6210	1.6210
High/Low	1.6210	1.6210
AM Official	1.6210	1.6210
Kerb close	1.6210	1.6210
Open Int.	1.6210	
Total daily turnover	1.6210	

LME COBALT 25% RATE: 1.6210

	Close	Previous
1.6210	1.6210	1.6210
Previous	1.6210	1.6210
High/Low	1.6210	1.6210
AM Official	1.6210	1.6210
Kerb close	1.6210	1.6210
Open Int.	1.6210	
Total daily turnover	1.6210	

LME MANGANESE 25% RATE: 1.6210

	Close	Previous
1.6210	1.6210	1.6210
Previous	1.6210	1.6210
High/Low	1.6210	1.6210
AM Official	1.6210	1.6210
Kerb close	1.6210	1.6210
Open Int.	1.6210	
Total daily turnover	1.6210	

LME VANADIUM 25% RATE: 1.6210

	Close	Previous
1.6210	1.6210	1.6210
Previous	1.6210	1.6210
High/Low	1.6210	1.6210
AM Official	1.6210	1.6210
Kerb close	1.6210	1.6210
Open Int.	1.6210	
Total daily turnover	1.6210	

LME TUNGSTEN 25% RATE: 1.6210

	Close	Previous
1.6210	1.6210	1.6210
Previous	1.6210	1.6210
High/Low	1.6210	1.6210
AM Official	1.6210	

FT MANAGED FUNDS SERVICE

THE
 OFFICE OF THE
 SECRETARY OF THE
 ARMY
 WASHINGTON, D. C.
 1918

CHEMICALS - Cont.

[illegible]

DISTRIBUTORS

Player	Pos	Team	Year	Height	Weight	Age	Experience	College	Notes
Abner Polk	QB	Ark	1956	5-10	175	23	1	Ark	1956
Alvin Stewart	QB	Ark	1957	5-10	175	24	2	Ark	1957
Alvin Stewart	QB	Ark	1958	5-10	175	25	3	Ark	1958
Alvin Stewart	QB	Ark	1959	5-10	175	26	4	Ark	1959
Alvin Stewart	QB	Ark	1960	5-10	175	27	5	Ark	1960
Alvin Stewart	QB	Ark	1961	5-10	175	28	6	Ark	1961
Alvin Stewart	QB	Ark	1962	5-10	175	29	7	Ark	1962
Alvin Stewart	QB	Ark	1963	5-10	175	30	8	Ark	1963
Alvin Stewart	QB	Ark	1964	5-10	175	31	9	Ark	1964
Alvin Stewart	QB	Ark	1965	5-10	175	32	10	Ark	1965
Alvin Stewart	QB	Ark	1966	5-10	175	33	11	Ark	1966
Alvin Stewart	QB	Ark	1967	5-10	175	34	12	Ark	1967
Alvin Stewart	QB	Ark	1968	5-10	175	35	13	Ark	1968
Alvin Stewart	QB	Ark	1969	5-10	175	36	14	Ark	1969
Alvin Stewart	QB	Ark	1970	5-10	175	37	15	Ark	1970
Alvin Stewart	QB	Ark	1971	5-10	175	38	16	Ark	1971
Alvin Stewart	QB	Ark	1972	5-10	175	39	17	Ark	1972
Alvin Stewart	QB	Ark	1973	5-10	175	40	18	Ark	1973
Alvin Stewart	QB	Ark	1974	5-10	175	41	19	Ark	1974
Alvin Stewart	QB	Ark	1975	5-10	175	42	20	Ark	1975
Alvin Stewart	QB	Ark	1976	5-10	175	43	21	Ark	1976
Alvin Stewart	QB	Ark	1977	5-10	175	44	22	Ark	1977
Alvin Stewart	QB	Ark	1978	5-10	175	45	23	Ark	1978
Alvin Stewart	QB	Ark	1979	5-10	175	46	24	Ark	1979
Alvin Stewart	QB	Ark	1980	5-10	175	47	25	Ark	1980
Alvin Stewart	QB	Ark	1981	5-10	175	48	26	Ark	1981
Alvin Stewart	QB	Ark	1982	5-10	175	49	27	Ark	1982
Alvin Stewart	QB	Ark	1983	5-10	175	50	28	Ark	1983
Alvin Stewart	QB	Ark	1984	5-10	175	51	29	Ark	1984
Alvin Stewart	QB	Ark	1985	5-10	175	52	30	Ark	1985
Alvin Stewart	QB	Ark	1986	5-10	175	53	31	Ark	1986
Alvin Stewart	QB	Ark	1987	5-10	175	54	32	Ark	1987
Alvin Stewart	QB	Ark	1988	5-10	175	55	33	Ark	1988
Alvin Stewart	QB	Ark	1989	5-10	175	56	34	Ark	1989
Alvin Stewart	QB	Ark	1990	5-10	175	57	35	Ark	1990
Alvin Stewart	QB	Ark	1991	5-10	175	58	36	Ark	1991
Alvin Stewart	QB	Ark	1992	5-10	175	59	37	Ark	1992
Alvin Stewart	QB	Ark	1993	5-10	175	60	38	Ark	1993
Alvin Stewart	QB	Ark	1994	5-10	175	61	39	Ark	1994
Alvin Stewart	QB	Ark	1995	5-10	175	62	40	Ark	1995
Alvin Stewart	QB	Ark	1996	5-10	175	63	41	Ark	1996
Alvin Stewart	QB	Ark	1997	5-10	175	64	42	Ark	1997
Alvin Stewart	QB	Ark	1998	5-10	175	65	43	Ark	1998
Alvin Stewart	QB	Ark	1999	5-10	175			Ark	

1. **Project Name:** _____
 2. **Project Manager:** _____
 3. **Project Sponsor:** _____
 4. **Project Start Date:** _____
 5. **Project End Date:** _____
 6. **Project Budget:** _____
 7. **Project Status:** _____
 8. **Project Description:** _____
 9. **Project Objectives:** _____
 10. **Project Risks:** _____
 11. **Project Deliverables:** _____
 12. **Project Milestones:** _____
 13. **Project Stakeholders:** _____
 14. **Project Communication Plan:** _____
 15. **Project Change Management Plan:** _____
 16. **Project Risk Management Plan:** _____
 17. **Project Quality Management Plan:** _____
 18. **Project Resource Management Plan:** _____
 19. **Project Procurement Management Plan:** _____
 20. **Project Stakeholder Management Plan:** _____
 21. **Project Management Plan:** _____
 22. **Project Charter:** _____
 23. **Project Business Case:** _____
 24. **Project Feasibility Study:** _____
 25. **Project Initiation:** _____
 26. **Project Planning:** _____
 27. **Project Execution:** _____
 28. **Project Monitoring and Control:** _____
 29. **Project Closure:** _____
 30. **Project Post-Mortem:** _____
 31. **Project Lessons Learned:** _____
 32. **Project Final Report:** _____
 33. **Project Archive:** _____
 34. **Project Documentation:** _____
 35. **Project Communication:** _____
 36. **Project Risk Management:** _____
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 208. **Project Monitoring and Control:** _____
 209. **Project Closure:** _____
 210. **Project Post-Mortem:** _____
 211. <

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DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ENGINEERING

[illegible]**ENGINEERING - Cont.**

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
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1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
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EXTRACTIVE INDUSTRIES - Cont.

Year	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100
1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	

FOOD PRODUCERS

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INSURANCE - Cont.

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INVESTMENT TRUSTS

Company	Price	52 wks.	1 yr.	5 yrs.
Aluminum Co. of Am.	100	100	100	100
Am. Can. Co.	100	100	100	100
Am. Ice Co.	100	100	100	100
Am. Paper Co.	100	100	100	100
Am. Sugar Ref.	100	100	100	100
Am. T. & T. Co.	100	100	100	100
Am. Tobacco Co.	100	100	100	100
Am. Woolen Co.	100	100	100	100
Am. Zinc & Lead Co.	100	100	100	100
Am. Lumber Co.	100	100	100	100
Am. Oil Co.	100	100	100	100
Am. Rubber Co.	100	100	100	100
Am. Steel Co.	100	100	100	100
Am. Textile Co.	100	100	100	100
Am. Glass Co.	100	100	100	100
Am. Cement Co.	100	100	100	100
Am. Brick Co.	100	100	100	100
Am. Paper Mill Co.	100	100	100	100
Am. Lumber Co.	100	100	100	100
Am. Oil Co.	100	100	100	100
Am. Rubber Co.	100	100	100	100
Am. Steel Co.	100	100	100	100
Am. Textile Co.	100	100	100	100
Am. Glass Co.	100	100	100	100
Am. Cement Co.	100	100	100	100
Am. Brick Co.	100	100	100	100
Am. Paper Mill Co.	100	100	100	100
Am. Lumber Co.	100	100	100	100
Am. Oil Co.	100	100	100	100
Am. Rubber Co.	100	100	100	100
Am. Steel Co.	100	100	100	100
Am. Textile Co.	100	100	100	100
Am. Glass Co.	100	100	100	100
Am. Cement Co.	100	100	100	100
Am. Brick Co.	100	100	100	100
Am. Paper Mill Co.	100	100	100	100
Am. Lumber Co.	100	100	100	100
Am. Oil Co.	100	100	100	100
Am. Rubber Co.	100	100	100	100
Am. Steel Co.	100	100	100	100
Am. Textile Co.	100	100	100	100
Am. Glass Co.	100	100	100	100
Am. Cement Co.	100	100	100	100
Am. Brick Co.	100	100	100	100
Am. Paper Mill Co.	100	100	100	100
Am. Lumber Co.	100	100	100	100
Am. Oil Co.	100	100	100	100
Am. Rubber Co.	100	100	100	100
Am. Steel Co.	100	100	100	100
Am. Textile Co.	100	100	100	100
Am. Glass Co.	100	100	100	100
Am. Cement Co.	100	100	100	100
Am. Brick Co.	100	100	100	100
Am. Paper Mill Co.	100	100	100	100
Am. Lumber Co.	100	100	100	100
Am. Oil Co.	100	100	100	100
Am. Rubber Co.	100	100	100	100
Am. Steel Co.	100	100	100	100
Am. Textile Co.	100	100	100	100
Am. Glass Co.	100	100	100	100
Am. Cement Co.	100	100	100	100
Am. Brick Co.	100	100	100	100
Am. Paper Mill Co.	100	100	100	100
Am. Lumber Co.	100	100	100	100
Am. Oil Co.	100	100	100	100
Am. Rubber Co.	100	100	100	100
Am. Steel Co.	100	100	100	100
Am. Textile Co.	100	100	100	100
Am. Glass Co.	100	100	100	100
Am. Cement Co.	100	100	100	100
Am. Brick Co.	100	100	100	100
Am. Paper Mill Co.	100	100	100	100
Am. Lumber Co.	100	100	100	100
Am. Oil Co.	100	100	100	100
Am. Rubber Co.	100	100	100	100
Am. Steel Co.	100	100	100	100
Am. Textile Co.	100	100	100	100
Am. Glass Co.	100	100	100	100
Am. Cement Co.	100	100	100	100
Am. Brick Co.	100	100	100	100
Am. Paper Mill Co.	100	100	100	100
Am. Lumber Co.	100	100	100	100
Am. Oil Co.	100	100	100	100
Am. Rubber Co.	100	100	100	100
Am. Steel Co.	100	100	100	100
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Many thanks to

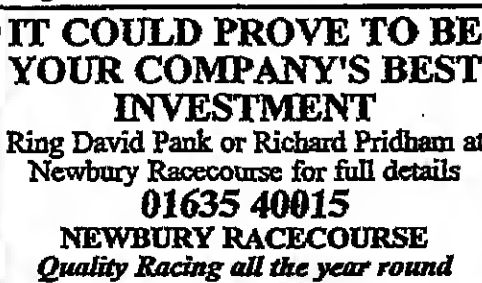
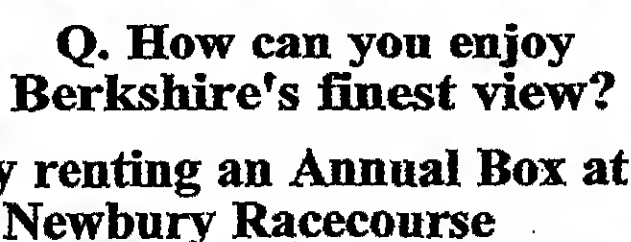
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INV TRUSTS SPLIT CAPITAL

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4 MC 732. 2.

1. The first step is to identify the problem or question that needs to be addressed. This involves understanding the context and the specific requirements of the task.



ENGINEERING - Cont

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EXTRACTIVE INDUSTRIES

State	Price	100	50	25	10	5	2	1	1/2	1/4	1/8	1/16	1/32	1/64	1/128	1/256	1/512	1/1024	1/2048	1/4096	1/8192	1/16384	1/32768	1/65536	1/131072	1/262144	1/524288	1/1048576	1/2097152	1/4194304	1/8388608	1/16777216	1/33554432	1/67108864	1/134217728	1/268435456	1/536870912	1/1073741824	1/2147483648	1/4294967296	1/8589934592	1/17179869184	1/34359738368	1/68719476736	1/137438953472	1/274877906944	1/549755813888	1/1099511627776	1/2199023255552	1/4398046511104	1/8796093022208	1/17592186044416	1/35184372088832	1/70368744177664	1/140737488355328	1/281474976710656	1/562949953421312	1/1125899906842624	1/2251799813685248	1/4503599627370496	1/9007199254740992	1/18014398509481984	1/36028797018963968	1/72057594037927936	1/144115188075855872	1/288230376151711744	1/576460752303423488	1/1152921504606846976	1/2305843009213693952	1/4611686018427387904	1/9223372036854775808	1/18446744073709551616	1/36893488147419103232	1/73786976294838206464	1/147573952589676412928	1/295147905179352825856	1/590295810358705651712	1/1180591620717411303424	1/2361183241434822606848	1/4722366482869645213696	1/9444732965739290427392	1/18889465931478580854784	1/37778931862957161709568	1/75557863725914323419136	1/151115727451828646838272	1/302231454903657293676544	1/604462909807314587353088	1/1208925819614629174706176	1/2417851639229258349412352	1/4835703278458516698824704	1/9671406556917033397649408	1/19342813113834066795298816	1/38685626227668133590597632	1/77371252455336267181195264	1/154742504910672534362390528	1/309485009821345068724781056	1/618970019642690137449562112	1/1237940039285380274899124224	1/2475880078570760549798248448	1/4951760157141521099596496896	1/9903520314283042199192993792	1/19807040628566084398385987584	1/39614081257132168796771975168	1/79228162514264337593543950336	1/158456325028528675187087900672	1/316912650057057350374175801344	1/633825300114114700748351602688	1/1267650600228229401496703205376	1/2535301200456458802993406410752	1/5070602400912917605986812821504	1/10141204801825835211973625643008	1/20282409603651670423947251286016	1/40564819207303340847894502572032	1/81129638414606681695789005144064	1/162259276829213363391578010288128	1/324518553658426726783156020576256	1/649037107316853453566312041152512	1/1298074214633706907132624082305024	1/2596148429267413814265248164610048	1/5192296858534827628530496329220096	1/10384593717069655257060992658440192	1/20769187434139310514121985316880384	1/41538374868278621028243970633760768	1/83076749736557242056487941267521536	1/166153499473114484112975882535043072	1/332306998946228968225951765070086144	1/664613997892457936451903530140172288	1/1329227995784915872903807060280344576	1/2658455991569831745807614120560689152	1/5316911983139663491615228241121378304	1/10633823966279326983230456482242756608	1/21267647932558653966460912964485513216	1/42535295865117307932921825928971026432	1/85070591730234615865843651857942052864	1/170141183460469231731687303715884105728	1/340282366920938463463374607431768211456	1/680564733841876926926749214863536422912	1/1361129467683753853853498429727072845824	1/2722258935367507707706996859454145691648	1/5444517870735015415413993718908291383296	1/10889035741470030830827987437816582766592	1/21778071482940061661655974875633165533184	1/43556142965880123323311949751266331066368	1/87112285931760246646623899502532662132736	1/174224571863520493293247799005065324265472	1/348449143727040986586495598010130648530944	1/696898287454081973172991196020261297061888	1/1393796574908163946345982392040522594123776	1
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INSURANCE

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LONDON STOCK EXCHANGE

Fed move brings sharp rise in UK stocks

MARKET REPORT

By Steve Thompson,
UK Stock Market Editor

The London market's rehabilitation process continued yesterday with share prices making rapid progress across the board as global markets demonstrated their acceptance of the move by the US Federal Reserve to lift interest rates by 25 basis points.

"The Fed's shift to higher rates came as no surprise to global bond and stock markets which have been expecting an upside move for some weeks after being softened up since before the turn of the year by Mr Alan Green-

span, chairman of the Fed. He warned markets on no less than three occasions of "irrational exuberance, overheating markets and pre-emptive strikes to head off inflationary pressures".

Dealers in London welcomed the Fed's move, which they said was well timed, much needed and more importantly, as far as investors were concerned, had been well flagged for some time.

As one trader said: "The last thing we want is a big sell-off, which would destroy confidence." That was a reference to the severe setback that hit bonds and stocks in 1994 when the Fed last embarked on a series of monetary tightening moves.

The FTSE 100 reclaimed the 4,300 level, but only just finished above that point, finally settling at 4,301.5. Over the past two sessions the 100 index has recouped 86.9 points, or 2 per cent, after sliding around 4 per cent in the previous six sessions.

At its best during a buoyant morning trading session, the index looked like posting its second consecutive 50 point gain.

But a flurry of profit-taking, plus a slightly uneasy opening by US bond market, took the edge off global equity markets, London and Wall Street included, and saw UK share prices well off their best at the close. Wall Street, which closed down 29

points overnight, was down around 20 points shortly after trading commenced yesterday, but rallied sharply to post a 330 point gain 90 minutes after London closed.

The market's second-liners never looked like matching the performance of the leaders. The FTSE 250 ended only 15.9 firmer at 4,568.5. The SmallCap index, meanwhile, crept up 0.7 to 2,312.4.

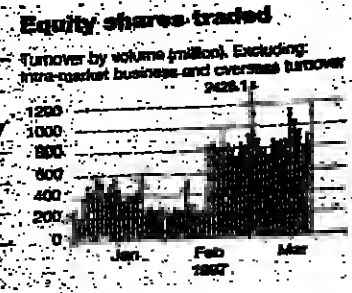
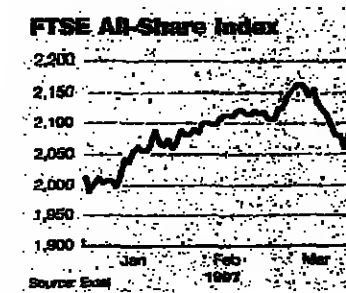
A successful outcome to the latest gilt auction, £2.5bn-worth of 10-year stock, helped the market build on its strong performance during the mid-to-late morning period. The auction was covered over three times, and prompted a gradual recovery in

gilt, which looked decidedly unhappy in mid-morning, before the auction news was published.

Share prices kicked off the day on an easier note, with dealers concerned that Wall Street's closing weakness might see a burst of selling across European stock markets.

But with no real selling pressure and evidence of a couple of medium-sized buy-side trading programmes in the market, share prices quickly picked up, moving into the black within an hour of the opening and eventually peaking just before midday.

Turnover continued at relatively high levels, reaching 944.2m shares.



FTSE All-Share Index

Equity shares traded

(Turnover by volume million. Excluding intra-market business and overseas turnover)

Source: Reuters

Indices and ratios

FTSE 100	4301.5	+30.8	FT 30	2846.1	+23.0
FTSE 250	4568.5	+15.9	FTSE Non-Fin p/e	18.23	18.17
FTSE 350	2122.9	+13.5	FTSE 100/FT 30	4315.0	22.0
FTSE All-Share	2094.89	+12.37	10 yr Gilt yield	7.33	7.59
FTSE All-Share yield	3.64	3.65	Long gilts/equity yield ratio	2.11	2.08

Best performing sectors

1. Extractive Industries	+2.0
2. Chemicals	+1.9
3. Retailers/General	+1.7
4. Electronic & Equip	+1.5
5. Insurance	+1.2

Worst performing sectors

1. Life Assurance	-0.9
2. Engineering/Vehicles	-0.7
3. Household Goods	-0.6
4. Distributors	-0.5
5. Leisure & Hotels	-0.3

FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LFFE) 25 per cent full index point

Open	Sett	Change	High	Low	Est. Vol	Open Int
4280.0	4315.0	+35.0	4330.0	4280.0	1570	59102
4280.0	4315.0	+35.0	4330.0	4280.0	280	2453

FTSE 250 INDEX FUTURES (LFFE) 10 per cent full index point

Open	Sett	Change	High	Low	Est. Vol	Open Int
4560.0	4568.5	+8.5	4580.0	4560.0	35	4833

FTSE 100 INDEX OPTIONS (LFFE) 4300 10 per cent full index point

Open	Sett	Change	High	Low	Est. Vol	Open Int
4150	4280	+130	4300	4150	4480	4500

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Open	Sett	Change	High	Low	Est. Vol	Open Int
4150	4280	+130	4300	4150	4480	4500

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Open	Sett	Change	High	Low	Est. Vol	Open Int
4150	4280	+130	4300	4150	4480	4500

FTSE All-Share INDEX OPTIONS (LFFE) 2095 10 per cent full index point

Open	Sett	Change	High	Low	Est. Vol	Open Int
4150	4280	+130	4300	4150	4480	4500

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Open	Sett	Change	High	Low	Est. Vol	Open Int
4560.0	4568.5	+8.5	4570.0	4555.0	10000	10000

Highs & Lows shown on a 52 week basis

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Company	Mid price	Change on day	Volume	High	Low	Company	Mid price	Change on day	Volume	High	Low
Aurifield	US\$18.125		6560	8.25	8	Exxon Intecon ADS	US\$12.125	-0.125	100	12.5	12
Atwood Systems	US\$10.175		6090	11.375	10.25	Hyperbatics	US\$1.00	-0.05	31900	12.825	10.5
Chromatex	FFr10	-0.5	1040400	10	17	Menzel Internat.	US\$92.625		0	11.375	9
De Salomon's ADS	US\$82		0	26	20.875	ProTech	US\$4.625		1000	6.25	4.375

High-tech rebound lures Dow ahead Carmakers, banks boost Frankfurt

AMERICAS

US shares were higher in mid-session as technology shares staged a strong rebound from the weakness seen over the past few weeks, writes Lisa Branstetter in New York.

At 1 pm the Dow Jones Industrial Average was up 27.19 at 6,903.36 and the Standard & Poor's 500 rose 4.44 at 793.51. Volume on the NYSE came to 271m shares.

Interest rate-sensitive banks were lower in the wake of Tuesday's move by the Federal Reserve to raise interest rates. Chase Manhattan Bank lost 1 1/4% at \$100.00, Citicorp shed 1 1/4% at \$113.75, BankAmerica 3/4% at \$109.00 and NationsBank 1/4% at \$60.00.

But shares in cyclical companies, more sensitive to any economic slowdown, bounced back from Tuesday's weakness. The Morgan Stanley index of cyclical shares added 0.4 per cent, just matching the performance of the counterpart index of consumer shares.

There was weakness in some cyclical, however. DuPont lost 1 1/4% at \$110.00, General Motors dropped 1 1/4% at \$55.00 and Minnesota Mining and Manufacturing (3M) lost 1/4% at \$87.00.

The technology-rich Nasdaq composite jumped 17.00 to 1,265.08 and the Pacific stock exchange technology index climbed 2.1 per cent. The four largest companies on the Nasdaq reclaimed 4 to 7 per cent of their value as investors returned to the sector.

Intel climbed 5 1/2% to \$138.00, Microsoft was 3 1/2% stronger at \$94.00, Cisco Systems added 3 1/4% at \$51.00 and Oracle was 1 1/4% better at \$40.00.

The strength in technology shares helped the Dow; among its constituents, IBM added 3/4% at \$139.00 and Hewlett-Packard rose 5/8% at \$66.00.

Also helping the Dow was a rise of 3/4% or 4 per cent to 1,008.16 as golds lost 24.1 to 1,301.9 and industrials finished 32.2 weaker at 3,306.0.

Shares in Transworld Airlines tumbled 5 1/2% after the carrier announced that its annual report would contain a statement from its outside auditors "regarding TWA's ability to continue as a going concern".

TORONTO traded in negative territory at mid-session, unable to match Wall Street's upturn as golds sank on the weak bullion price.

The TSE-300 composite index was 11.97 weaker at 6,131.79.

Trading in Bre-X Minerals was halted pending news, along with its gold-mining partner, Freeport-McMoran in New York.

Canadian Imperial Bank of Commerce eased 5 cents to C\$33.40 ahead of today's two for one stock split.

SAO PAULO was easier at mid-session in very quiet pre-holiday trade with the Bovespa index down 76 to 9,305.

EUROPE

Some bourses came off the top after mid-morning weakness in the Dow but FRANKFURT went from strength to strength, the Dax index closing 64.29 or 1.9 per cent higher at 1,195.40, the highest since the Dax index's 3,439.22 in turnover up from DM12.4bn to DM16bn.

Mr Michael Bock, head of BZW's Frankfurt office, said the house had not yet lost its disappointment with the extent of restructuring measures at Hoechst, and the lack of a Krupp reverse takeover bid for Thyssen. The two steels were weak, but not remarkably so.

Germany, added Mr Bock, was also digesting global inflation news while other countries, notably the US and the UK, were sounding worried; he also argued that potential delays in European monetary union, given reinforced commitment to convergence criteria, were likely to raise expectations in financial markets.

Among individual stocks, BMW's drive for higher margins took the shares up another DM74 or 5.9 per cent to DM1,327 after Tuesday's 5.1 per cent gain. Still in carmakers, analysts said they were surprised at the extent of Daimler's recovery, with 1996 net income of DM2.8bn against a DM5.7bn loss; the shares rose DM5.80 or 4.5 per cent to DM135.80.

Banks, which had a flurry in January with a 16 per cent gain, extended a more recent surge to a four-day sector life of over 8 per cent. Takeover hopes moved to Bayernrhybo, which rose DM3.28 or 5.9 per cent to DM58.26. In retailing, meanwhile, a Karstadt supervisory board statement that media speculation about the potential sale of Mr Walter Duesse, its chief executive, was unfounded left the shares down DM12.40 or 2.1 per cent to DM581.

ZURICH extended Tuesday's rally with a rise of 1.4 per cent, helped by the firmer dollar and short covering in stocks that had come under recent pressure. The SMI index finished 61.9 higher at 4,620.5.

Nestlé was the day's star performer, jumping SF64 or 4.1 per cent to SF1,641 as the food group confounded forecasts with its announcement of a 16.6 per cent increase in 1996 group profits and a proposal to raise its dividend to SF30 a share.

One analyst noted that Nestlé was the only SMI constituent so far to report 1996 results that were clearly above expectations. The consensus among analysts had been for a 10.5 per cent rise in profits and a SF28 a share dividend.

In the pharmaceuticals sector, Roche certificates advanced SF135 to SF12,305 after declines in the previous two sessions on disappointing

price for Telecom Italia shareholders who wanted to cash in, rather than hold shares in the merged group. Stat rose L35 to L75.50, Telecom Italia picked up L24 to L4,289 and Tim was L158 higher at L4,987.

Geminus remained a volatile spot as shares in the financial holding company were suspended at the 10 per cent limit, up level after the group said late on Tuesday that it would pay a 1996 ordinary share dividend of L200 a share, and L750 on its savings shares. The limit was later widened to 15 per cent and the shares ended L20.5 per cent higher at L707.6.

PARIS had its own star turn in Schneider, the electrical equipment supplier, which produced net attributable profits 62 per cent higher at FF1,320bn.

The results were better than expected, said Ms Anita Hibbert at Dillon Read. They were enhanced by the forecast of a significant further improvement in 1997, and further by the chairman's

FTSE Actuaries Share Indices

		THE EUROPEAN SERIES									
		Mar 26	Mar 27	Mar 28	Mar 29	Mar 30	Mar 31	Mar 1	Mar 2	Mar 3	Mar 4
Heavy changes		Open	10.30	11.00	12.00	13.00	14.00	15.00	Close		
FTSE 100	2157.36	2163.59	2165.84	2167.45	2170.47	2173.22	2173.82	2174.69			
FTSE 200	2181.51	2187.54	2188.44	2189.44	2190.44	2191.44	2192.44	2193.44			

		Mar 26	Mar 27	Mar 28	Mar 29	Mar 30	Mar 31	Mar 1	Mar 2	Mar 3	Mar 4
FTSE 100	2157.36	2163.59	2165.84	2167.45	2170.47	2173.22	2173.82	2174.69			
FTSE 200	2181.51	2187.54	2188.44	2189.44	2190.44	2191.44	2192.44	2193.44			

FTSE 100: 2157.36, 2163.59, 2165.84, 2167.45, 2170.47, 2173.22, 2173.82, 2174.69, 2175.44, 2176.29, 2177.14, 2178.00, 2178.85, 2179.70, 2180.55, 2181.40, 2182.25, 2183.10, 2184.00, 2184.90, 2185.80, 2186.70, 2187.60, 2188.50, 2189.40, 2190.30, 2191.20, 2192.10, 2193.00, 2194.00, 2195.00, 2196.00, 2197.00, 2198.00, 2199.00, 2200.00, 2201.00, 2202.00, 2203.00, 2204.00, 2205.00, 2206.00, 2207.00, 2208.00, 2209.00, 2210.00, 2211.00, 2212.00, 2213.00, 2214.00, 2215.00, 2216.00, 2217.00, 2218.00, 2219.00, 2220.00, 2221.00, 2222.00, 2223.00, 2224.00, 2225.00, 2226.00, 2227.00, 2228.00, 2229.00, 2230.00, 2231.00, 2232.00, 2233.00, 2234.00, 2235.00, 2236.00, 2237.00, 2238.00, 2239.00, 2240.00, 2241.00, 2242.00, 2243.00, 2244.00, 2245.00, 2246.00, 2247.00, 2248.00, 2249.00, 2250.00, 2251.00, 2252.00, 2253.00, 2254.00, 2255.00, 2256.00, 2257.00, 2258.00, 2259.00, 2260.00, 2261.00, 2262.00, 2263.00, 2264.00, 2265.00, 2266.00, 2267.00, 2268.00, 2269.00, 2270.00, 2271.00, 2272.00, 2273.00, 2274.00, 2275.00, 2276.00, 2277.00, 2278.00, 2279.00, 2280.00, 2281.00, 2282.00, 2283.00, 2284.00, 2285.00, 2286.00, 2287.00, 2288.00, 2289.00, 2290.00, 2291.00, 2292.00, 2293.00, 2294.00, 2295.00, 2296.00, 2297.00, 2298.00, 2299.00, 2300.00, 2301.00, 2302.00, 2303.00, 2304.00, 2305.00, 2306.00, 2307.00, 2308.00, 2309.00, 2310.00, 2311.00, 2312.00, 2313.00, 2314.00, 2315.00, 2316.00, 2317.00, 2318.00, 2319.00, 2320.00, 2321.00, 2322.00, 2323.00, 2324.00, 2325.00, 2326.00, 2327.00, 2328.00, 2329.00, 2330.00, 2331.00, 2332.00, 2333.00, 2334.00, 2335.00, 2336.00, 2337.00, 2338.00, 2339.00, 2340.00, 2341.00, 2342.00, 2343.00, 2344.00, 2345.00, 2346.00, 2347.00, 2348.00, 2349.00, 2350.00, 2351.00, 2352.00, 2353.00, 2354.00, 2355.00, 2356.00, 2357.00, 2358.00, 2359.00, 2360.00, 2361.00, 2362.00, 2363.00, 2364.00, 2365.00, 2366.00, 2367.00, 2368.00, 2369.00, 2370.00, 2371.00, 2372.00, 2373.00, 2374.00, 2375.00, 2376.00, 2377.00, 2378.00, 2379.00, 2380.00, 2381.00, 2382.00, 2383.00, 2384.00, 2385.00, 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